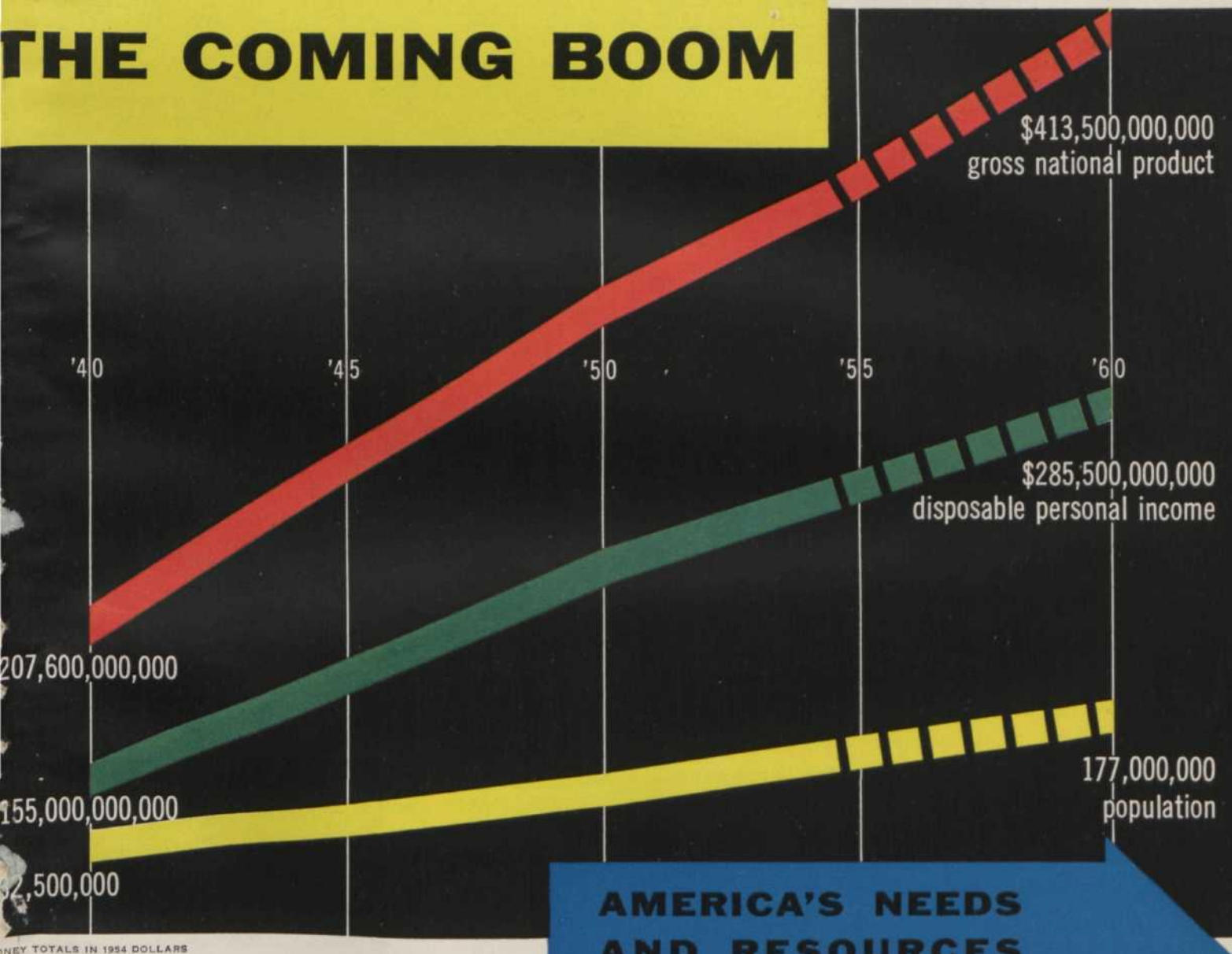


Nation's Business

A MAGAZINE FOR BUSINESSMEN

MAY 1955

THE COMING BOOM



**AMERICA'S NEEDS
AND RESOURCES**

PREVIEW OF 1960

page 62

Government's role if auto strikes come **PAGE 34**

Federal lending kills responsibility **PAGE 29**

U.S. builds brains reserve **PAGE 40**

Now a telephone with a
dial that lights up!



For information about availability and moderate charges for the light-up dial telephone and other new telephone conveniences now being made by Western Electric, simply call your Bell telephone business office.



Have you seen the new Bell telephone with a dial that lights up? It's perfect for bedrooms, sickrooms . . . or any dimly lit place. Just pick up the handset and the dial is instantly illuminated.

Providing special telephone conveniences for your home and office is one part of our job at Western Electric. But an even bigger part is devoted to making equipment

you are seldom aware of . . . that operates "behind-the-scenes" faithfully, economically.

As the manufacturing unit of the Bell System, our job is to make telephone equipment which works that way.

By teaming up with Bell Laboratories people who design the equipment and Bell telephone people who operate it, we help provide you with dependable telephone service at low cost.



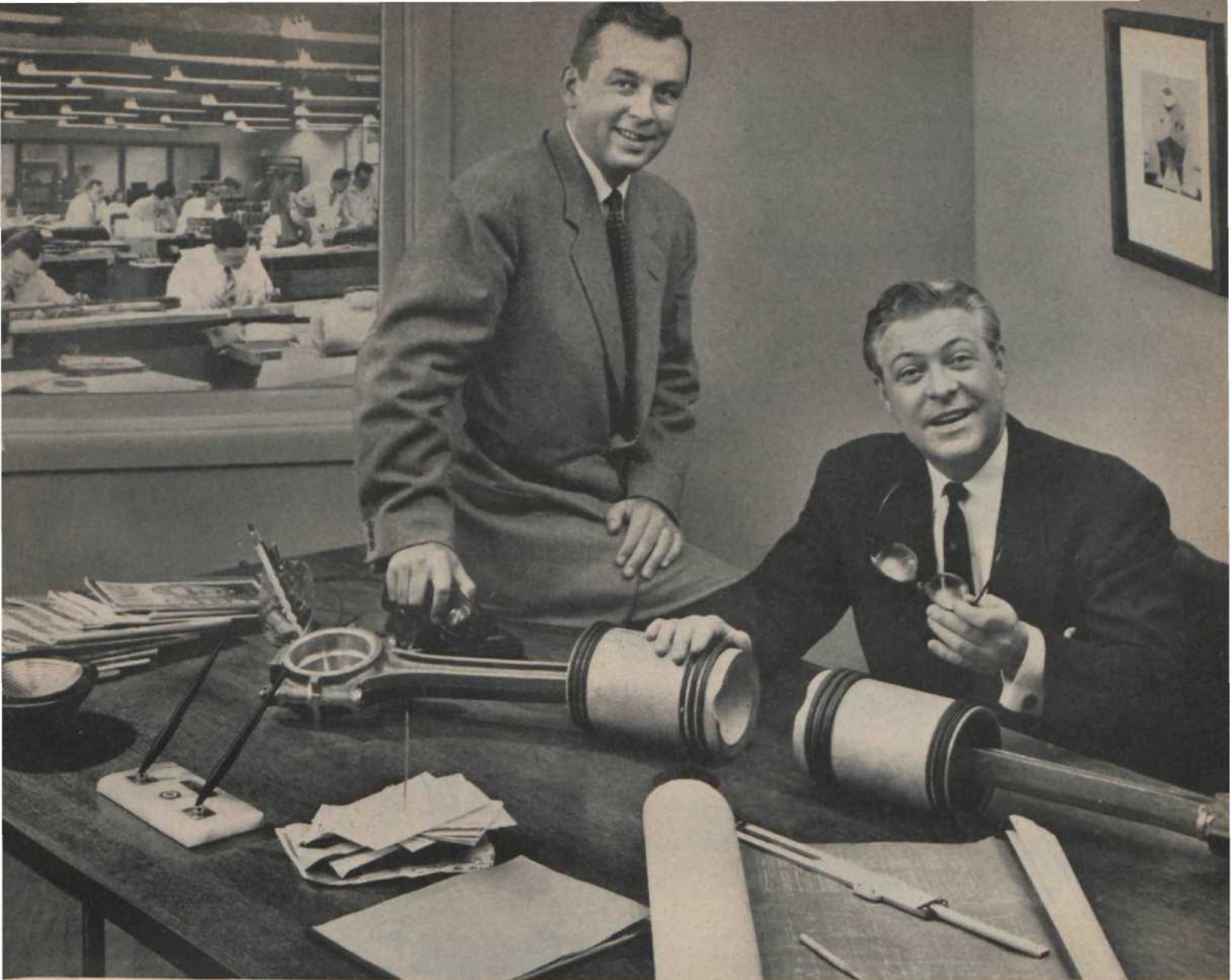
Your dial telephone actually puts you in command of a vast network of complicated equipment made by Western Electric. In a telephone central office, for instance, more than 1,000 switches must operate without failure to complete just a single dial call.

Western Electric

MANUFACTURING AND SUPPLY



UNIT OF THE BELL SYSTEM



They were asked "Why two when one will do?"

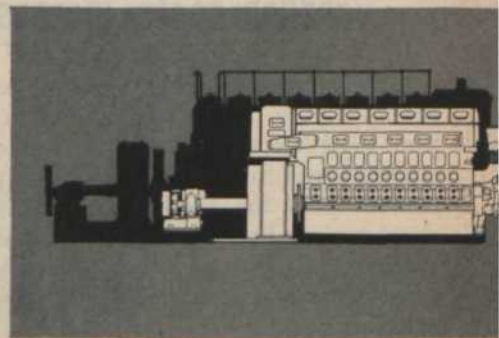
That's often the first reaction to the Fairbanks-Morse Opposed Piston Diesel... "Why two pistons in each cylinder?"

The answer given by the F-M Diesel Design Staff is quite simple: two pistons reacting to the forces of combustion in a common cylinder give you greater horsepower per cylinder... more power per foot of floor space... and as it happens, a far more simple engine with 40% fewer moving parts to wear and maintain.

Only from Fairbanks-Morse can you get such originality and soundness of *new* design that assure outstanding performance. When next you need a Diesel Engine... or a scale... an electric motor... or a pump... look for the famous F-M Seal and see the difference that quality makes. Fairbanks, Morse & Co., 600 So. Michigan Avenue, Chicago 5, Illinois.



The Secret is this cylinder liner that contains two pistons. It eliminates cylinder heads and their gasketed joints, intricate valve trains and their timing—all parts that require skilled maintenance by skilled personnel.



The Result is a compact, lightweight diesel that permits installing *more* power in the *same* space occupied by any comparable engine. And horsepower for horsepower, the O-P is the easiest to maintain.



FAIRBANKS-MORSE

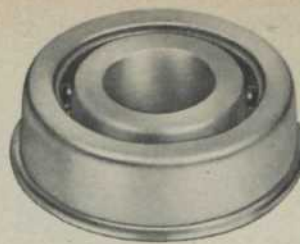
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29 year old Jim Toomey,
President
of Omega Ball Bearing,
speaks his mind on
George S. May engineering



"Before we called you in, we were so discouraged that we were thinking of giving up the business completely."



Omega is one of the largest manufacturers of ball bearings in the United States. Present capacity now nearly 300,000 bearings a week.



"Your men came up with 'Action Engineering' that was both drastic and curative in its effect."



James J. Toomey, President
Omega Ball Bearing Co., Inc.
Poughkeepsie, New York

*"For our first year of operation
under George S. May methods,
we had a net profit of \$21,500
on sales of \$403,000"*

Improve methods, expand markets, reduce costs, increase profits!

The Omega Ball Bearing Company is just one more example of a far-sighted manufacturing concern that used George S. May business engineers to change losses into profits. Your company, too, can benefit from the thinking and action that May engineers can bring to bear on your problems. Since 1925, the George S. May Company has brought experienced and profitable business methods to over 36,000 clients in over 3,000 different kinds of business. Manufacturers, resellers and service companies have all learned how to make more net profit from their business operations.

Let our representative call on you NOW!

George S. May Company

THE WORLD'S LARGEST BUSINESS ENGINEERING ORGANIZATION

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SAN FRANCISCO 2, 291 Geary St.
GARfield 1-5244

NEW YORK 17, 122 East 42nd Street
OXford 7-3900
CANADA, 660 St. Catherine St., Montreal
UNiversity 6-9152



PHONE: POUGHKEEPSIE 7693-7684
CABLE ADDRESS: OMEGABECCO

FACTORY AND GENERAL OFFICES: 187 COTTAGE STREET, POUGHKEEPSIE, NEW YORK
January 25, 1955

George S. May Company
122 East 42nd Street
New York City, New York

Gentlemen:

In 1953, our ninth year in business, we lost nearly \$24,000 on \$325,000 of business. This was part of a continuing pattern. Our sales picture was gloomy. The morale of our organization was shot. We were so discouraged that there was a very serious question whether our family would add any more to the \$150,000 we had invested in this business. We called in your company as a kind of last resort.

Your men came up with "Action Engineering" that was both drastic and curative in its effect. For example:

1. Our entire organization was completely revamped along functional lines. At various times during the period of their engagement, your men actually operated the sales department, production department, treasurer and controller function, and acted as general manager of the company.
2. A complete sales research and market development program resulted in a major change in our distribution and an immediate broadening of our market.
3. You reorganized our plant layout within the confines of our present location. By means of your production scheduling and production methods, our output has increased from 90,000 to a present level of over 150,000 bearings a week. In the coming month this will double.
4. You gave us an always accurate system of job costing and job estimating. No longer do we take on unprofitable work nor do we discover at the end of a job that we have lost money on it.

For the \$24,160 in engineering fees that we paid you, we also received many other benefits too numerous to tabulate. Here's one: for the year 1954, our first year of operation under George S. May methods, we had a net profit of \$21,500 on sales of \$403,000. In 1955, we anticipate (conservatively) a net profit of \$35,000 on about \$500,000 of sales. What more can I say?

Very truly yours,

James J. Toomey, President

James J. Toomey
OMEGA BALL BEARING COMPANY, INC.

JJT:C

Nation's Business

MAY 1955 VOL. 43 NO. 5

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of North America**

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There are contracts tailored to your needs, backed by loss prevention service and claims service that make these policies a *better buy!*

We invite you to discuss your business insurance programs with your Agent or Broker. Ask him to explain them in detail.

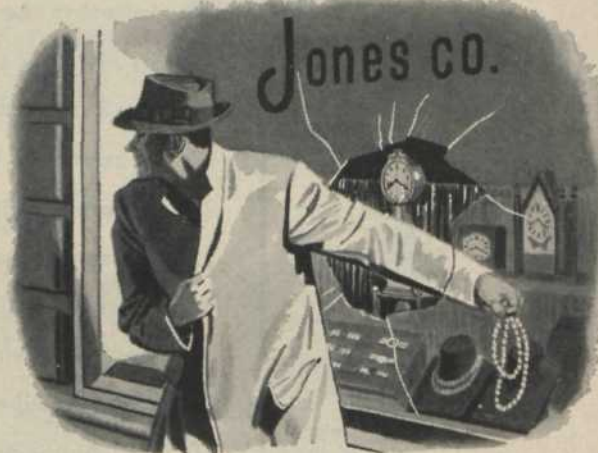
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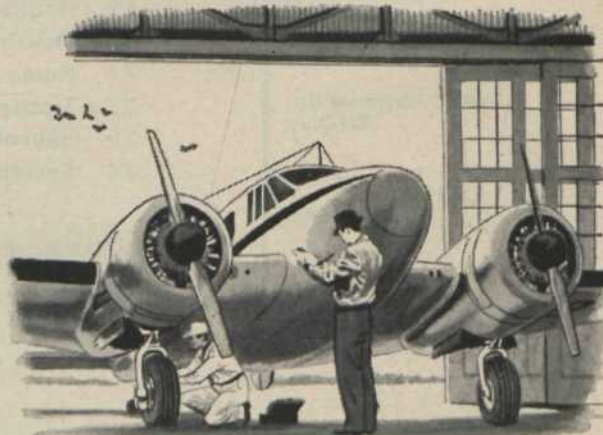
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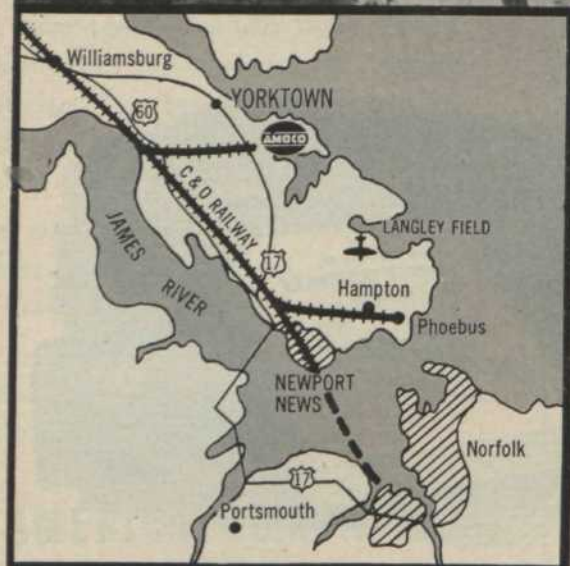
Where one revolution ended another is starting

At Yorktown, Virginia, where was fought the last battle of the American Revolution, the American Oil Company is launching a revolutionary development in oil refining. Each oil company has definite requirements as to where its refineries should be located. American wanted to find the one site that best suited its own needs. It wanted to be centrally located with relation to its distribution area, with good transportation by rail, highway or water. It wanted to be on tidewater deep enough to berth the largest ocean-going tankers.

It wanted plenty of land available for its present and future development. It wanted ample fresh water, an adequate power and labor supply and an area providing maximum advantages of good community living.

Chesapeake and Ohio's Industrial Development Department helped American in its selection of the Yorktown location, and would be happy to help you in finding and selecting a location that would be as ideally suited to your own individual needs.

For a pin-point survey giving full information on labor, tax, water supply and any other particulars you need on any of the advantageous industrial sites in C & O territory, send your inquiry in complete confidence, to Chesapeake and Ohio Railway, Industrial Development Department, Cleveland 1, Ohio; Detroit 2, Michigan, or Huntington 1, West Virginia.



New 5 1/2 mile C & O spur being built to new refinery of American Oil Company



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► **BUSINESS CONCENTRATION** gets rough treatment from labor.

Example: Union leaders claim 75 per cent of U.S. employment is concentrated in 5 per cent of employers.

It's unhealthy, they say, for so few firms to employ so many people.

Is concentration bad? Let's look at some other examples:

50 per cent of college enrolment is concentrated in 7 per cent of institutions.

60 per cent of Protestants attend 3 per cent of Protestant churches.

6 per cent of newspapers have 60 per cent of circulation.

Less than 5 per cent of phonograph record titles account for 50 per cent of sales.

One per cent of post offices account for 50 per cent of postal receipts.

9 per cent of railway trackage carries 42 per cent of passengers.

13 per cent of U.S. land area uses 45 per cent of electricity.

Query for union leaders: Are these situations unusual?

Note: 5 per cent of employers equals 200,000 firms. That's a big handful.

► **CONGRESS WILL** step up legislative pace this month.

But it will be mostly sound and fury.

Appropriations bills must be acted on, including budgets for defense and manpower.

Some tax legislation will be pushed through, closing loopholes.

Debt limit will be increased.

So will minimum wages.

Small Business Administration will be put into Commerce Department.

Foreign Operations Administration will go into State.

Draft Act, Defense Production Act will be revised, extended.

Most issues are expected to simmer in the political pot until Congress' second session in '56.

These include:

Farm price supports, natural gas legislation, foreign trade, school construction, loyalty-security programs, public vs. private power, highway construction, Hoover Commission reports, Taft-Hartley revisions, health reinsur-

ance, antitrust legislation, foreign aid, welfare-fund controls.

► **UNCLE SAM** will lend more money next year.

That's in sharp contrast with Hoover Commission recommendations that U.S. curtail lending programs.

Loans and guarantees, at end of fiscal '56, are expected to reach total of \$57,000,000,000.

That's up \$14,000,000,000 from current year's commitments.

Of total, \$41,000,000,000 guarantees VA, FHA, Public Housing loans and mortgages.

Major outstanding commitments at end of fiscal '56:

Loan to Britain: \$3,500,000,000.

Export-Import Bank: \$2,900,000,000.

Federal National Mortgage Association: \$2,694,000,000.

Rural Electrification Administration: \$2,451,000,000.

Foreign Operations: \$1,803,000,000.

Commodity Credit Corporation: \$1,008,000,000.

► **HERE'S WHY** Commerce Department will absorb Small Business Administration.

Look at SBA loan, other activities:

Of \$260,000,000 in loan applications to date, SBA approves \$64,800,000. That's 36 per cent.

At same time, agency helps reserve \$470,000,000 in defense procurement for small firms.

SBA also sets up training courses, sends out instruction books, supplies competency certificates for contractors.

The trend: It's away from loans, toward service, advice.

That's function of Commerce Department.

► **CREDIT REPAYMENT** keeps pace with consumer credit outstanding.

At same time rate at which new credit is extended shows dip.

That underscores stability of credit structure if--an important if--consumer income also keeps pace.

The figures:

Credit outstanding (second quarter, '55): \$29,684,000,000.

Credit repaid (annual rate, same quarter): \$29,040,000,000. New credit

(annual rate, same quarter):
\$28,668,000,000.

Note: Treasury experts, eyeing current tax receipts, privately forecast 4 per cent income increase this year.

That means no relative rise in debt burden despite prospect of rise in installment debt.

► CONSTRUCTION EXPERTS see possible seasonal dip in home building toward end of '55.

But keep this in mind:

Residential building accounts for only one third of construction dollar.

Experts see no drop in community building--schools, churches, hospitals, etc.--which make up more than half of non-residential construction.

Nor is there decline forecast for highway, utility construction.

► WATCH THESE "ifs" during next few months:

If: Auto sales lag too far behind production and steel output follows suit....

If: Residential building slumps severely....

That can spell trouble, business economists point out.

Antidote?

Government has two courses open to stem possible downturn:

1. Step up delivery dates on defense orders already under contract.

Effect: Hike in employment, payrolls will pump fresh money into economy.

2. Reduce taxes.

Effect: Increased purchasing power, boost in sales, production--and a bigger budget deficit.

► MANY CONTRACTORS are caught in cost squeeze despite construction boom.

Here's why:

Heavy jobs--highways, plants, office buildings--run 60 per cent ahead of last year, 3 per cent ahead of '53.

But number of contractors is up from 5,000 to 8,000 in decade.

Labor saving machinery, expansion of bigger firms add to threat of over-capacity.

Note: Record \$56,000,000,000 in construction is expected this year.

Of that, \$40,000,000,000 will go into new building, \$16,000,000,000 for maintenance and repairs.

► HERE ARE two measures of future business activity:

1. What consumer plans to spend.

2. What business plans to invest for expansion.

Here's how these factors shape up for second half of '55:

9.6 per cent of families plan to buy or improve homes. Percentage year ago: 6.6.

Business plans capital outlay of \$27,-400,000,000 for '55. Last year's expenditures: \$26,800,000,000.

Two other strong supports for last half economy:

End of drop in federal spending.

(Defense outlays alone will hit \$41,-000,000,000 for fiscal '55, stay there through '56).

End of inventory expansion.

(Total current inventories of \$77,-390,000,000 are same as '54, down \$4,-000,000,000 from '53 peak).

► MANUFACTURERS' NEW ORDERS bolster business outlook.

Industries count \$25,350,000,000 in orders on their books.

That's seasonally adjusted annual rate.

It's also biggest backlog in history--\$2,000,000,000 above boom '53, \$3,000,-000,000 above year ago.

Meanwhile, inventories (\$43,650,000,-000) and sales (\$25,000,000,000) keep pace with year ago figures.

Council of Economic Advisers says firm consumer prices (index has varied less than 0.4 points in three years to date) dampen both inflation, deflation prospects.

► SENATE STUDIES new angle in foreign trade battle:

U.S. machinery exports, over-all, show dip of 4.6 per cent from year ago.

Some categories increase:

Textile, sewing, shoe machinery, up 13.5 per cent.

Printing machinery, up 22.5 per cent.

Scientific, professional equipment, up 10.6 per cent.

Irony:

These machines turn out products which,

exported to U.S., would compete with domestic industries in same field.

► **COMPETITION BOOSTS** business volume, shaves profits, too.

Why?

Price cuts, special services, promotions, attract customers--but add to costs, reduce margin.

Example:

Auto dealers look to '55 as best sales year yet.

But they don't see much profit.

In '54 (third best year for autos), 38 per cent of dealers showed a loss.

Average profit dipped from 3.6 per cent of sales in '52 to 0.6 per cent.

That's competition--and it's getting rougher.

Profits after taxes of firms with assets under \$250,000 show 6.5 per cent drop in two years, are still on downside.

► **FEWER PEOPLE** enter labor force--and more leave.

Here's how Labor Department survey (soon to be published) sizes up situation:

Available labor force in past few years has risen by roughly 700,000 each year.

But, actual increase past two years: About 500,000.

Reasons?

1. More young people continue education, fewer seek jobs.
2. Boost in social security benefits, pensions, retirement funds, keeps older people out of jobs market.
3. Bigger benefits, too, keep middle-aged women, mostly widows, from job-hunting.

As work force declines, increased productivity--via automation--fills gap.

► **HOW DO YOU** define unemployment?

Detailed survey is being put together now by Bureau of Labor Statistics, will answer for first time questions like this:

Who are the unemployed? Heads of families? Students? Supplementary wage earners (such as housewife leaving job to return to housework)?

How long have unemployed been without jobs? Where is unemployment highest?

Lowest? Which industries appear most affected by seasonal swings?

Reason for study:

To probe over-all employment picture, pin down claims of "dangerous underemployment" as well as determine if there are any "danger signals."

Survey will be out this month, or next.

► **TAXES TAKE** from 30 to 40 per cent of what you earn.

That's total load--federal, state and local.

Pick your earnings bracket from these figures, see what you pay toward government upkeep at all levels:

Earnings, \$3,500 a year; taxes, \$1,043.

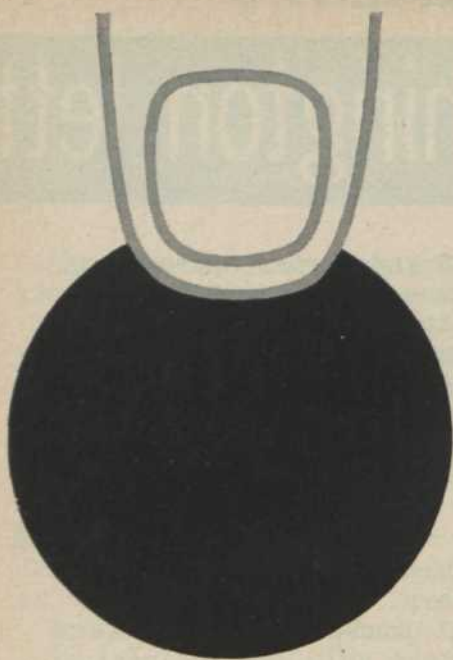
Earnings, \$4,500; taxes, \$1,425.

Earnings, \$7,500; taxes, \$2,637.

Earnings, \$15,000; taxes, \$6,157.

Note: Totals and percentages are computed from data compiled by the Tax Foundation.

► **BRIEFS:** Third of states aren't waiting for outcome of President's highway building plans; they move ahead with bond issues totaling more than \$2,000,000,000 during next two years. . . . Consolidation will cut number of school districts in U.S. to less than 59,000 this year from 67,346 in '52. . . . Commerce Department figures this month are expected to show personal income running at \$292,000,000,000 annual rate, highest in history. . . . Insurance firm survey indicates 14 per cent of middle-income families support older relatives, wholly or in part. . . . More than 21,000 industrial profit-sharing plans are in effect in U.S., Bureau of Internal Revenue has backlog of 8,000 plans on file for tax qualifications--and they're coming in at 200-a-month rate. . . . More than 500,000 Americans are expected to travel abroad this year, records at Passport Division of State Department show. . . . Public, private debt passes \$710,000,000,000 mark, up 53 per cent from 10 years ago, 228 per cent from 15 years ago. . . . Contrary to talk, General Services Administration won't press fight to handle Defense Department purchases.



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Letters TO THE EDITOR

Sheboygan port improvement

Wish to compliment you upon the excellent article which appeared in your April issue regarding the Seaway trade race. ("Seaway Sparks Billion Dollar Trade Race," by Joseph Gambatese.)

Admittedly the article could not deal with every Great Lakes port city. However, we should like to point out that the City of Sheboygan is in its own small way attempting to prepare itself for the Seaway Program. Starting in 1949 action was initiated for the deepening and extension of the navigable river channel. At present it awaits final phase—appropriation.

When that is accomplished this city will have a deep water channel extending upriver from the harbor entrance for almost 5,000 feet. The greater portion will be 21 feet deep; the remaining portion 15 feet. The project calls for an initial outlay of about \$219,000.

The city recognizes that the Seaway Project does not necessarily mean that every port on the Great Lakes will become a world trading port. It does recognize the potential it offers for industries which have a vital stake in waterway transportation.

M. M. SHOOK, JR.
Association of Commerce
Sheboygan, Wis.

Movies for business

In the February 1955 issue of your magazine there was a small article entitled "Movies Speak For Business." It mentioned a book entitled "The Dollars and Sense of Business Films," published by the Association of National Advertisers, Inc.

So far I have been unable to locate this book through my normal book-

store channels. Will you please drop me a line telling where this book can be obtained, and its cost?

FRANK B. SHROPSHIRE
Telamir Productions, Inc.
Pacific Grove, Calif.

NOTE: Association of National Advertisers, 285 Madison Avenue, New York 17, N. Y. Price: \$5.

A retailer speaks

Your article on Fair Trade in the March issue I thought to be quite understanding in its approach to this subject.

One question still remains unanswered in my mind. Mr. Van Mell, counsel for Sunbeam, stated that 20 discount dealers accounted for 90 per cent of the sales of Sunbeam appliances in Washington, D. C.

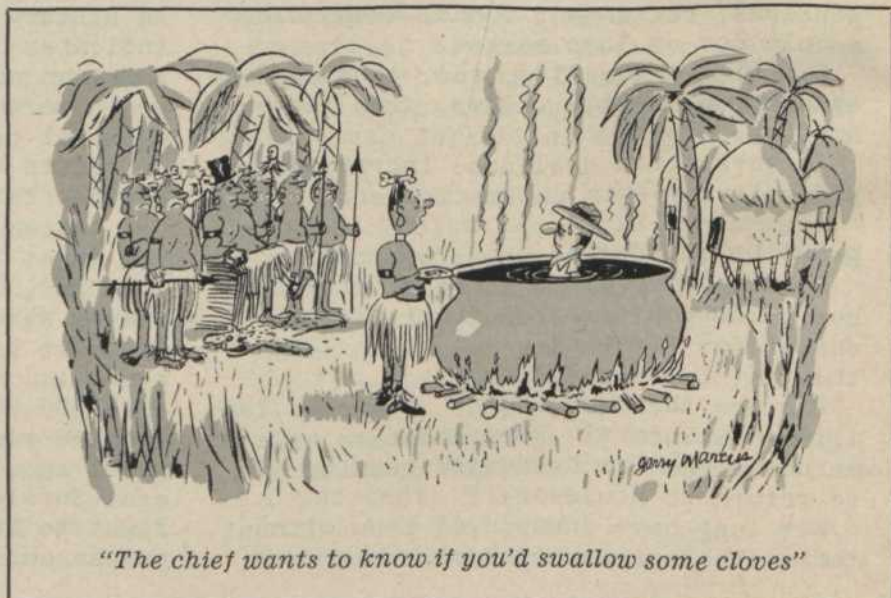
Where do these discount dealers obtain their merchandise—supposedly fair traded—to be able to sell such a quantity except from the manufacturers who profess to desire fair-trade legislation? Is it fair for a manufacturer to sell to a discount dealer at one price and a legitimate retailer at another price?

In some fields, it seems to me the discount house has developed because of the overproduction of his merchandise, and these manufacturers choose to disrupt the legitimate retailer by selling their surplus through extra channels at seriously reduced prices.

ARTHUR BASTIEN
Bastien's Jewelry Store
45 Spring Street
Williamstown, Mass.

Colder yet . . .

For many months, I have followed your light patter (R. L. Duffus' "By My Way") with many a chuckle, and



How you will save . . .



How your secretary will save . . . with Verifax copying



☐ You'll seldom have to dictate another letter which, for the most part, quotes one you have received. A brief note plus a Verifax copy of the original letter is all that's needed.

☐ You'll be able to jot your answers on many letters . . . send Verifax copies back; customers will welcome the speedy reply . . . won't have to look in the file for carbons of their letters.

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☐ Helps lots at meetings. Next time someone says, "You probably can't see this at the other end of the table" or "I'll pass this around"—buzz your secretary. In a minute or two, you'll have enough Verifax copies so that everyone can see—and think—at once.

☐ Ends inconveniences—like waiting for extra carbons to be typed . . . or for your "only copy" to be returned.

☐ Protects your records—you won't have to send them out of the office to be copied; no one else need see them.

☐ Your secretary can save a half-hour or more of retyping in copying just one report. *She can make 3 Verifax copies in 1 minute for less than 4¢ each.* No fuss. No change in room lighting.

☐ She won't have to proofread with a second girl.

☐ Her work will be error-free. Verifax copies are photo-accurate, are authentic from letterhead to signature.

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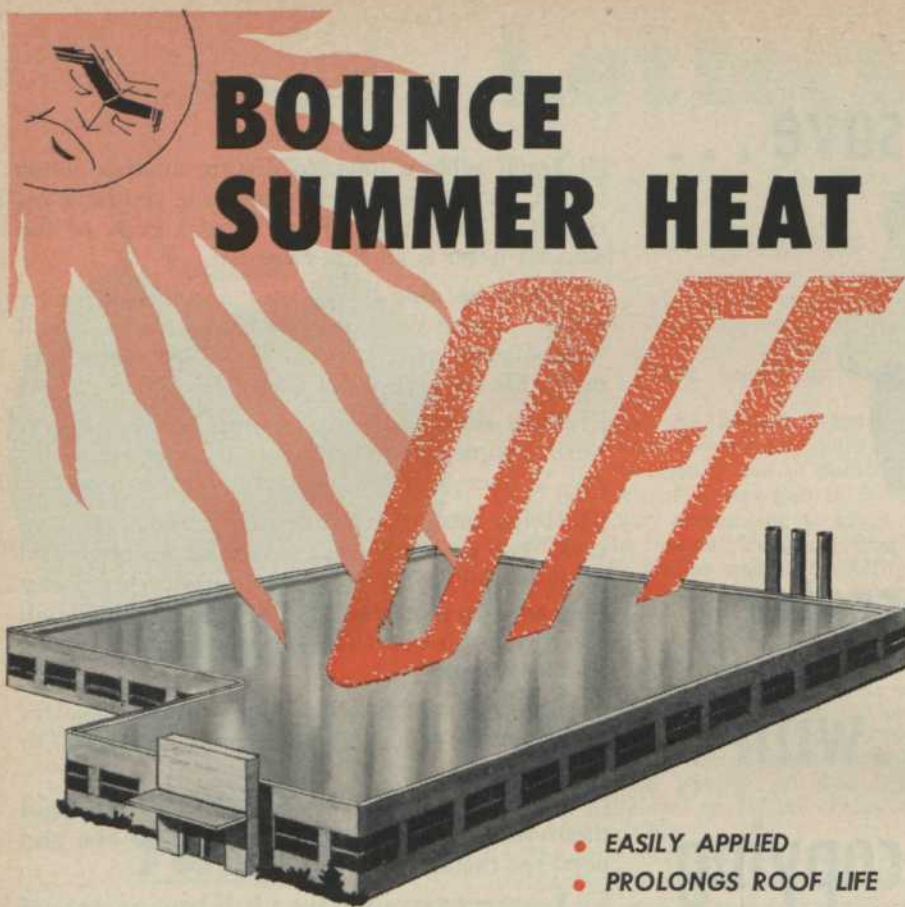
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an occasional old-fashioned belly laugh. I enjoy it immensely.

In the March issue you mention the lowest recorded temperature in the U.S. and use a figure of 45° below zero, at Bismarck, N. D.

At our plant each day we pass around what we affectionately refer to as the "Worthless Information of the Day." I recall one used sometime earlier this winter. It stated that "In 1933, in Yellowstone National Park, the thermometer registered 66° below zero, the lowest temperature on record in the United States."

Have I passed out something that is erroneous and thereby not "worthless" by any stretch of the imagination?

C. NICKLER
Excel Corporation,
Elkhart, Ind.

...and no end in sight

For your information in February 1933, 72° below zero was recorded in West Yellowstone, Montana, and could have been worse.

JIGGS HIX
170 Main Street
Rigby, Idaho

A lift we like

No matter how busy I am, nor how cluttered my desk (and that I don't like) when NATION'S BUSINESS passes over it I usually take time out to check "By My Way," if nothing else. It gives me, and I imagine a good many others, a lift in this sometimes humdrum life. Thank you and best wishes for a long, long life.

V. OLA WORSHAM
1004 Farnam
Omaha 8, Nebraska

Russia's next move

Our staff was very pleased with the serious and businesslike quality of your report in March on our project ("What Russia Will Do Next," by Paul Hencke) and we feel that it sets a model of responsible journalistic reporting.

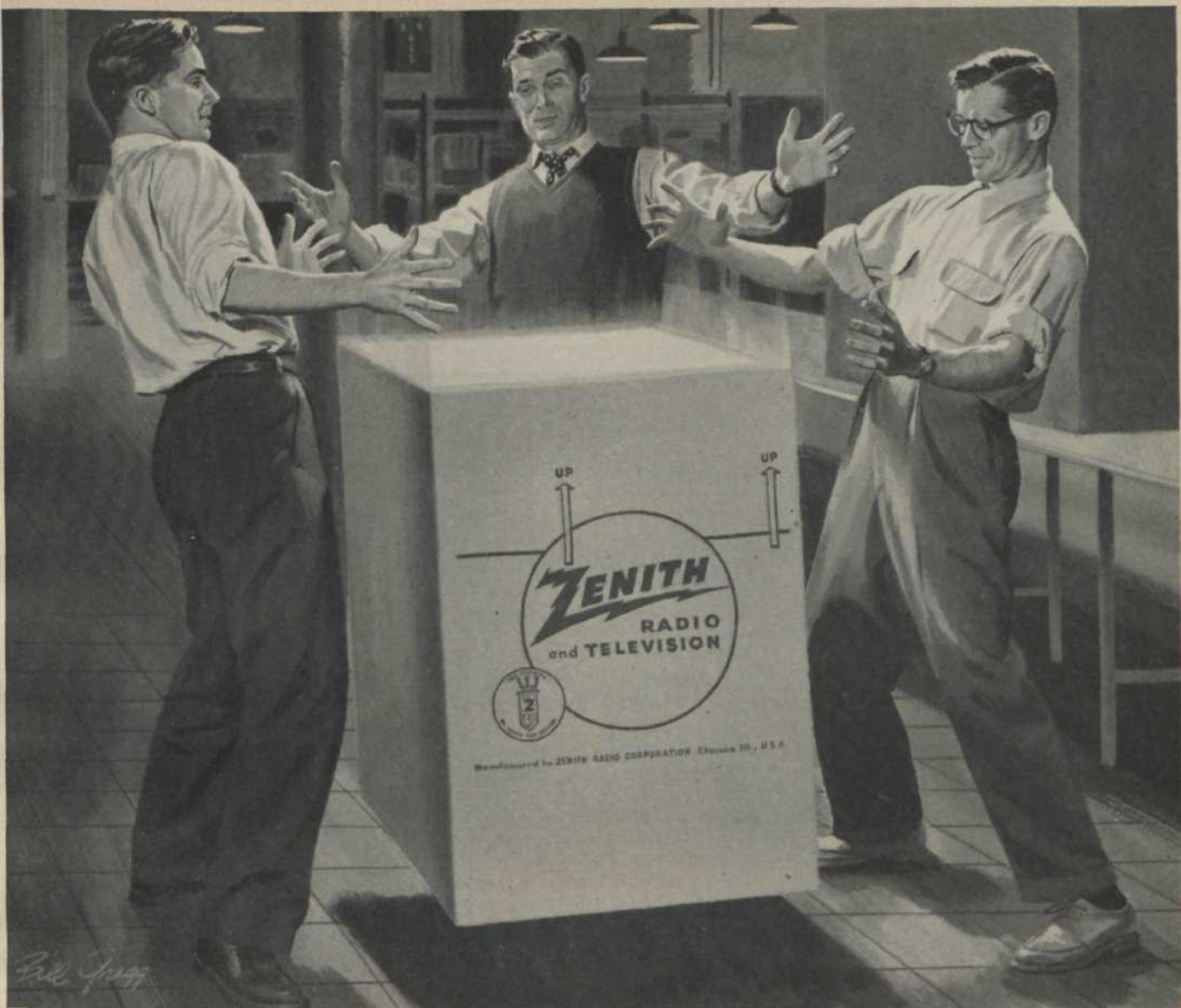
ALEX INKELES
Russian Research Center
Harvard University
Cambridge, Mass.

Two sides to everything

I enjoy NATION'S BUSINESS editorials very much. I find them interesting and instructive, also truthful and up-to-date.

I had just finished reading Sidney Shalett on synthetic rubber ("Rubber's Growth Outruns Supply"—March issue) when I saw an editorial by Drew Pearson on the same subject. What a dreary picture he paints.... I wonder how many people will be misled, having read Pearson's side only. I believe Shalett's article on synthetic rubber should have a larger distribution and I am circulating my March copy to my neighbors and friends.

GEORGE L. MOISON
George L. Moison Co., Inc.,
Groton, Mass.



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THERE ARE MEN who actually spend all their working hours deliberately trying to wreck precision-built Zenith products.

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Sets must be transported by truck or train to their destinations, and that means a lot of shaking. A Zenith Trans-Oceanic® Portable Radio often turns up in a steaming jungle—or in the arctic. Defense products may turn up anywhere in the world.

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This is an integral part of our "Quality Assurance" program.

The same care in manufacture, the same "Quality Assurance" program, is carried through all Zenith production—both civilian and defense. This is one reason why Zenith is called on so often to help develop better weapons of defense for the Government.



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BY MY WAY

R. S. Suffero



The lost army

IT SHOCKED me to learn that only one veteran of the Union Army of 1861-65 was still living. My memory goes back to a day when the small village of Williamstown, Vt., could muster at least 20 Union veterans on Decoration Day, one of whom would carry a full-sized regimental flag in a socket fixed in a white leather belt. The band would play, and away they would go, from the Town Hall or one of the churches, to the cemetery. But what our friends south of the Mason and Dixon line did not do, time did—it cut them all down. And I suppose little towns in what was once the Confederacy had similar parades, though on a different day, and small boys then living in those towns felt much as I did. It was a sad, sweet day, Decoration Day, and some of us youngsters wished we, too, could grow up and become heroes. A few did. As for myself, I grew up but never became a hero—too dangerous.

Outwitting the mosquito

A MOSQUITO able to resist DDT has been discovered in Hoboken, N. J., just as I and a lot of other persons foresaw. The next step, of course, will be to breed a kind of mosquito that likes DDT and finally a mosquito that can't get along without DDT—and then not give him any. This can be done, and maybe will be, but we must never forget that if we hope to outwit Nature we will have to sit up late and do some heavy thinking.

Some like butter better

THE U.S. Department of Agriculture has been selling surplus butter to Pakistan. The Pakistani do not spread this butter on bread or hot cakes. No, indeed, they boil it, let it cool and pour off the oily liquid, which is called ghee. Some of my traveled friends call it by even worse names than that; they have

tasted it and definitely do not care for it. But this does not bother the Pakistani. It merely confirms their belief that if we all liked the same foods, wore the same clothes and voted the same straight ticket this would be a less interesting world.

Spring fever in hens

I WONDER if there is any more peaceful sound in this world than the contented cluck of a hen that laid an egg some time back and is still proud of it but not excited over it any more and is going to lay another egg after a while, maybe tomorrow or the day after—there's no hurry—and is taking life easy. I remember many



a barnyard with hens in it, when I was a boy, and how I figured that the hen understood me and I understood the hen, because it was spring and we were both lazy and contented. But that is no way to make money in the egg and poultry business, I am told.

Chowder, right and wrong

SEN. Leverett Saltonstall, R., Mass., took occasion to enlighten his colleagues as to what fish chowder is by serving them some (free, I believe) in a Washington restaurant. Fish chowder, in case anyone doesn't know, is made with milk and/or cream. It is not made with tomatoes. It also contains fish. My mother could make it out of salt codfish—and I wish I had some of it right now. But I suppose that in a democracy, such as we hope this is, the New York—or wrong—kind of chowder would win: there just happen to be more people in the State of New York than there are in the whole of New England. I bow to that decision—but I'll eat a furtive



What happens when businessmen are too rushed?

YOU KNOW the *obvious* things, of course.

The piled-up desk, the decisions hanging fire, the appointments cancelled, the people you can't see. It's a picture that's all too familiar in most business offices. But the really *serious* part of it is the way an important matter can get lost in the shuffle. A matter, for example, that could mean the *end* of your business.

If you're perpetually rushed, the chances are you never really have *time* to check and see whether your accounts receivable and other business records are kept in a really *trustworthy* safe, or a potential "incinerator." There are *thousands* of "unsafe" safes

in use, today. They don't bear the Underwriters' Laboratories, Inc. label. If a fire ever starts, they cremate records. Leave them in ashes.

And what makes it worse is that you can't count on a fireproof building to *prevent* such a tragedy. These buildings just *wall-in* fires. Make them *hotter*.

And even though you can *normally* count on fire insurance to cover your losses, it probably would not cover them fully, if you lost your records. There's a clause which says: "proof-of-loss must be rendered within 60 days." Could you "render" it without records?

Don't let "*being rushed*" keep you from protecting yourself! You could lose everything! Out of every 100 firms that lose their records in a fire—43 never reopen. And many of the rest struggle for years to recover.

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Concrete Paving

FOR GIANT TEST TRACK

The world's largest automotive road testing center was recently opened by the Chrysler Corporation in Chelsea, Mich. This new proving ground covers 4,000 acres and includes two separate concrete straightaways totaling almost 4 miles in length and a 4.7 mile concrete test oval that engineers believe to be the fastest closed track in the country. Speeds of 140 miles per hour are possible on the banked turns.

The six-lane test track and straightaways equal more than 18 miles of 24 ft. wide concrete road. These new facilities will enable Chrysler engineers to study speed, fuel economy, durability, acceleration and other characteristics of their cars.

Like the Chrysler engineers, highway engineers are using concrete paving for modern roads all over the country. They have learned that concrete roads serve better, last longer and require less maintenance than any other type of pavement. The result is *low-annual-cost* service that pleases motorists and taxpayers.

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dish of New England chowder whenever I get the chance.

My own daylight-saving time

I HAVE invented a sort of daylight-saving plan which I call the Horace K. Sniffle daylight-saving plan after a friend of one of my uncles, and because people who are affected by it will be sure to catch cold. This plan is to set the clock 12 hours ahead, so that, for example, when it is really noon the clock will say it is midnight and we can all go to bed or to a show or restaurant and have fun. When it is midnight, of course, the clock will say it is noon, but it will be so dark nobody will feel like working. This is also known as the anti-work or why-work-when-it-isn't-necessary plan. I don't think it will be adopted, though.

Much ado about the hairdo

THE WAY some women wear their hair today, in imitation of Leslie Caron, Audrey Hepburn or some unspellable Italian actress, confirms a belief I have long held: Life will go on about as usual, there will be June weddings, the population will increase, new schools will be needed, no matter what the feminine hairdo is at any specified time. Young



women, by and large, will always look pretty to young men. Why, I can remember when they wound their hair on the tops of their heads, to a height of a foot or more (or so it seems, in retrospect), put a funny hat, with lots of feathers, on top of this architecture, and then stuck three hatpins through it to hold it on. But they got married—they really did.

What did they expect, anyhow?

A RECENTLY issued volume of the Great Soviet Encyclopedia says that the skyscrapers of New York City "create a gloomy and disorderly silhouette" and that such buildings as Rockefeller Center "oppress one with the monotony of bare walls with innumerable windows." Personally, I don't believe a word of this. I think it is pure propaganda. I wouldn't put it beyond the authors of the Encyclopedia to be just as critical of that other monument to capitalism—the Grand Canyon.



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Trends

of Nation's Business



GEORGE LOHR

THE STATE OF THE NATION BY FELIX MORLEY

MANY of the precepts of Jesus have had great political impact. And one of the most influential, in its effect on American institutions, is that recorded in the eighth chapter of St. John: "Ye shall know the truth and the truth shall make you free."

The suggestion is that an uninformed people must be an enslaved people. Therefore, any who aspire to freedom will establish a form of government that makes it possible for men to know the truth. This idea, once planted, expanded with the general body of Christianity. To the Gospel as quoted can be traced our constitutional provision prohibiting any law "abridging the freedom of speech, or of the press." The whole case for our self-imposed burden of tax-supported education similarly rests on the conviction that literacy is an ingredient of freedom.

Acceptance of this doctrine, however, has never been universal. John describes the bitter resentment of those who first heard it. And similar hostility continues to this day. A number of Americans unconsciously flatter communism by agreeing with the Kremlin that when truth is disagreeable, or disturbing, it should be officially suppressed.

Such a viewpoint is logical in Russia, where individual freedom has never been much admired, or strongly desired. But it is highly illogical in our country, which as a whole has always approved George Washington's famous assertion: "In pro-

portion as the structure of a government gives force to public opinion, it is essential that public opinion should be enlightened."

Unquestionably the structure of our government does give force to public opinion, which is what we mean when we refer to it, rather loosely, as a "democracy." And such a government can be maintained, as Washington pointed out, only if public opinion is continuously and fully enlightened. When the first President said this, in his Farewell Address, he fully realized that the mere establishment of independence was not enough. To win freedom would have been meaningless, unless it could be sustained.

So, to consolidate the government of free men, ascertainable truth must be made available—not only when the facts are flattering but also when they hurt. Unpalatable truth, even if politically dangerous, should not be suppressed, because freedom itself is menaced when vital information is arbitrarily withheld. The federal budget, for instance, is published annually, regardless of whether it shows a surplus or a continuous inability to cover expenditures from current income.

It is in the light of this principle of even-handed enlightenment that we look back at the publication of the Yalta documents. The thunderous reverberations from this action by Secretary Dulles have died to an occasional rumble. The affair may therefore now be examined on the basis of fundamental rules of government, presumably not merely acceptable to, but actively cherished by, both of the

Trends

major political parties. The real importance of the Yalta documentation, of course, centers in the fact that here is a sample of unvarnished and unpleasant truth. And it is the whole truth, or as nearly such as ascertainable.

What is now made available has added little or nothing to pre-existing knowledge of the decisions reached in the Crimea, between Feb. 4 and 11, 1945. But it has revealed a great deal about the way in which these decisions were reached. And this slapdash, haphazard, and from the American viewpoint unconstitutional procedure constitutes an essential part of the truth about Yalta.

It was necessary to make this public. What was unnecessary, and stupid, was the backstairs, secretive method used by the Department of State in getting the material to the press. Ironically, this was itself distastefully similar to the techniques used at Yalta, only without the excuse of wartime exigency as justification.

• • •

Soon after the publication of the verbatim record, President Eisenhower observed, at a news conference, that the Yalta documents should not be used to "damage reputations." Tactless or thoughtless observations, made in "casual conversation," cannot properly be exploited for partisan purposes a decade later. Grave injustice can be done by turning a venomous criticism on past attitudes that have been fitted into a frame of present circumstance. And by refusing to make political capital out of Yalta, Mr. Eisenhower has again demonstrated moral leadership reminiscent of Lincoln's Second Inaugural Address—"With malice toward none; with charity for all..."

Certainly this documentation should not be used destructively. But it would be at least equally unfortunate if the truth revealed is not used constructively. The real point about these revelations is not that they provide a weapon to criticize persons, but that they serve to fortify principles.

It is a fundamental principle of the American government, written into the Constitution and fortunately ingrained in national thinking, that the power of the President is qualified. He is the chief executive and not the chief of state. And the reason for this qualification, in the field of foreign policy, has never been better expressed than by Alexander Hamilton, himself an advocate of strong presidential power, who wrote in No. 75 of the *Federalist*:

"The history of human conduct does not warrant that exalted opinion of human virtue which would make it wise in a nation to commit interests of so delicate and momentous a kind, as those which concern its intercourse with the rest of the world, to the sole disposal of a magistrate created and circumstanced as would be a President of the United States."

At Yalta an "exalted opinion of human virtue" did unwisely place at "the sole disposal" of an American President a power over foreign policy which under the Constitution he never should have had. There is no gain in condemning Mr. Roosevelt, who can no longer defend himself, for exercising the power improperly surrendered to him. It is more appropriate to criticize ourselves for having relinquished our collective trust.

To do this was in the deepest sense un-American. And it was actually unfair to Mr. Roosevelt, because the record now shows that at Yalta he was continuously uneasy over such indefensible decisions as the betrayal of both Poland and Nationalist China. Winston Churchill also had these anxieties. Stalin of course had none. Under the Russian system he was the unquestioned dictator; what he decided was final; he had no call to justify his course to either God or man.

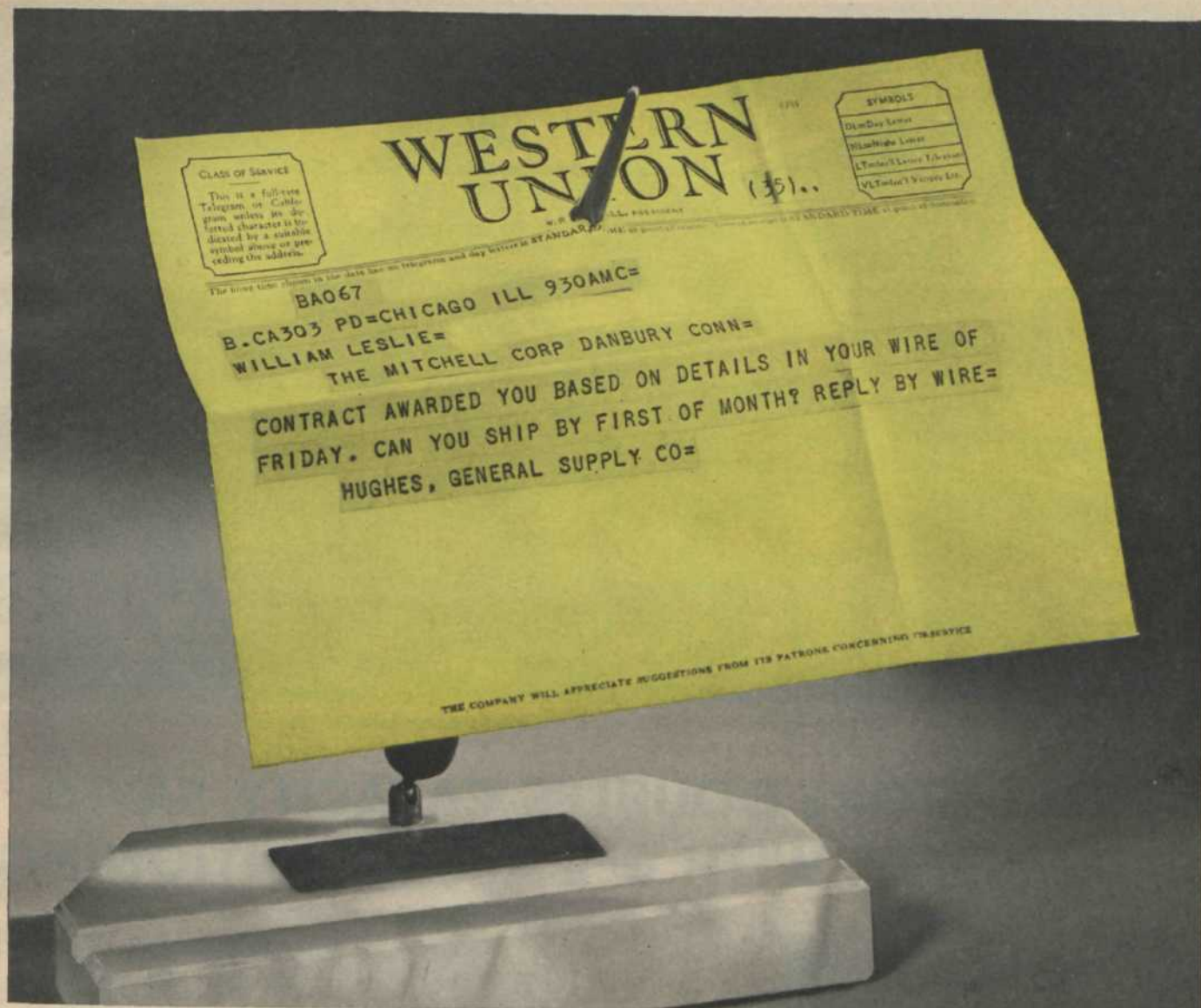
So communism swept the board at Yalta, not because Russia's military might was at that time superior but simply because the technique of personal dictatorship was in the Russian tradition and contrary to that of the outsmarted western leaders. Mr. Churchill and Mr. Roosevelt fumblingly played the Russian game, on Russian soil, by Russian rules, with Russian cards. Quite naturally they lost. That is the simple truth, sensed by the American people long since, confirmed now in the detailed report.

We did not lose at Yalta because of physical weakness, but because there was an inherent and fundamental contradiction in the attempt to make dictatorial decisions for a democratic people. Another American President, Woodrow Wilson, made much the same mistake at an earlier international conference. The moral should be drawn before we make the blunder a third time.

• • •

In addition to being chief executive an American President is also a party leader. Therefore, whenever "delicate and momentous" international problems are concerned the President should as a matter of course take the leaders of the opposition into his confidence before the decisions are made. Mr. Eisenhower clearly understands this, and has announced that interested Democratic leaders will be invited to the further conferences with Soviet Russia that must be arranged. It is, indeed, far more important that the opposition should be represented than that the President himself should be a party to such negotiations.

National unity in the United States can always be achieved, if one simple condition is met. This is that our spokesmen shall regard themselves as representatives of a free people and not as yes-men for the chief of state, which Mr. Roosevelt let himself be called at Yalta. In bringing that lesson home the melancholy record has been most salutary. It emphasizes the fundamental political truths that make and keep Americans free.



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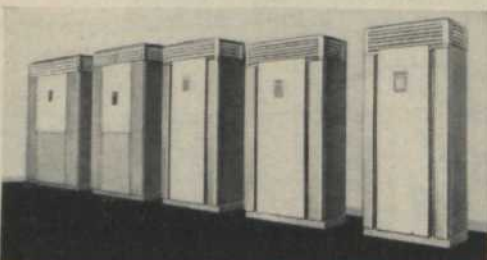
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1 Installation by G-E trained contractors. Floyd J. Delaney (left) of Homemaster Sales Company, G-E dealer in Westfield, N. J., discusses installation plans with Julius A. Riveles, drug store owner.



2 The best in packaged air conditioners. 3-15 ton capacity. Easily directed airflow. Muggy Weather Control. Modern, streamlined cabinets. 5-year warranty on new, all-in-one refrigerating system covers both parts and replacement labor.

• Riveles' Drugs in Plainfield, New Jersey, put in its first G-E Packaged Air Conditioner in 1949. During the next five years, summer business showed a 40 to 50% increase. Result: last year, the store's management modernized to double capacity, added another G-E unit.

Both units (5 tons each) sit side by side in the rear of the store (out of space). Space requirement: only 18 square feet. Ductwork down one side of store feeds cool, conditioned air throughout hot summer months. In winter, steam coils in the units supply warm, filtered air—a simple, efficient heating system that elim-

inated old-style radiators, giving the store more sales space and freedom in placing displays to best advantage.

Summer almost here—Act now! In wilting heat, customers like to see that "G-E Air Conditioned" sign. Be sure yours is up this summer. You can get dependable, low-cost G-E air conditioning *now*—with temperature and humidity control to meet your specific needs. Get full facts today—call your G-E dealer, listed in your phone directory, or write General Electric Company, Commercial & Industrial Air Conditioning Department, Bloomfield, New Jersey.

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GEORGE TAMES

WASHINGTON MOOD

BY EDWARD T. FOLLIARD

IT IS NOW ten years since World War II ended in Europe. The anniversary, which finds our one-time foes, Germany and Japan, lined up on the side of the West, is a reminder of how hard it is to foresee what a decade will do to the world picture. It is a reminder, too, that, while there are wounds on this tormented globe, there also are areas that have healed or are healing.

Right now an odd development is taking place in the realm of foreign affairs and only a bold man would dare predict what will come of it.

After years of worrying about Russia and denouncing her as a greedy, ruthless and lying tyranny, the United States is hoping that Russia's leaders will try to restrain the hot heads of Red China. To put it another way, our government is hoping that Communist Enemy No. 1 will try to cool off Communist Enemy No. 2.

This doesn't mean that the American estimate of Russia's goal has changed. The White House, the State Department and the Pentagon agree that this goal is what it always has been—world domination. They agree also that Russia is by far the greatest threat to the United States in the long run.

Yet, in this spring of 1955, Red China and not Russia is Washington's biggest worry. Secretary of State John Foster Dulles made this clear when he said:

"The aggressive fanaticism of the Chinese communist leaders contrasts with the past tactics of Soviet communism. . . . (The Soviet Union) did not risk external adventures. . . . The Chinese communist method may prove more dangerous and provocative of war."

Mr. Dulles was reminding us here, in his reference to "external adventures," that Russia's Red Army has not fired a shot since World War II. True, Russia has stirred up a lot of mischief and she has extended her sway over vast domains. Always, however, she has been careful to avoid a shooting war herself.

There is a sharp difference of opinion between government officials here and rank-and-file Americans on the question of a war with Russia. A Gallup Poll has disclosed that most Americans believe there will be a great war in their lifetime, one that will bring H-bombs raining down on Washington and Moscow. The men handling our affairs do not believe that Russia has any intention of launching World War III, at least in the years immediately ahead.

They are not so hopeful where Red China is concerned; and for good reason. Mao Tse-tung and Chou En-lai, the big shots of Peiping, have shown by their actions that they are reckless men. To the surprise of Gen. Douglas MacArthur, who thought they had troubles enough at home, Mao and Chou sent their Red legions across the Yalu and into Korea in the autumn of 1950. They embarked on another military adventure in Indochina.

Unfortunately for the West, both of these adventures paid off from the viewpoint of Red China. Having held the United States and 15 other nations to a stalemate in Korea and forced the French to capitulate in Indochina, Mao Tse-tung and Chou En-lai are feeling their oats. Like Hitler in the late 1930's, they are beginning to believe that they are invincible and irresistible—so much so, indeed, that they refer to Uncle Sam in their propaganda as a "paper tiger."

There is no doubt that the Chinese communists are determined to capture the real estate now held by Generalissimo Chiang Kai-shek and the Nationalist forces that fled with him from the Chinese mainland in 1949. This includes not only the off-shore islands of Quemoy and Matsu, but Chiang's Formosa stronghold itself.

It is here that Russia comes in.

Red China, though rich in manpower, is a backward country, utterly dependent upon Russia for modern weapons. Her aircraft (and the fuel to fly them), heavy artillery, tanks, and other weapons all must come from the Soviet Union. She may have enough now to start a war. However, unless assured of a continuing supply of munitions and

fuel over a period of time, she would be taking a grave risk in drawing her sword. She might be starting something she would not be able to finish.

This gives Russia an important lever, one which the men in the Kremlin can wield in favor of either war or peace. What their choice will be depends upon what they conclude would best serve the interests of Russia.

Here arises an important question: What is the true relationship between the Soviet Union and Red China? Are they really friends and allies in fact as well as in name? How much influence does Moscow have on Peiping?

Our officials don't really know. They don't even pretend to know. All they can do is speculate.

Suppose that Red China became engaged in an all-out war with the United States: Would Russia be happy about it, or unhappy? Again Washington doesn't know.

A tenable theory is this: Although the Russians might like to see the Chinese and Yanks killing each other, they would not like the idea of having their own economy strained by having to send vast quantities of planes, gasoline, guns and munitions to Red China. Russia, for all of her five-year plans, still is far behind the United States industrially, and has little if any hardware to spare for her junior partner in Asia.

President Eisenhower, like others in the government, is pretty much in the dark about Russia's attitude. However, he does have a judgment in the matter. He thinks that Russia would prefer that Red China try to achieve her aims by means short of war.

His position was accurately described by Sen. Walter George, the venerable Democrat from Georgia, after a recent White House luncheon conference given over to a discussion of the Far East situation. Said Senator George:

"I think the President feels that the Russians do not want to keep the books for a war the Chinese communists might start. But the question still remains whether the Russians actually have the power to veto a move by Red China and whether, even though they might not want a war now, they actually would restrain the Chinese communists in a showdown."

The big hope here, at any rate, is that the Russians will at least try to stall the Chinese firebrands, and thus allow time for the statesmen to attempt to work out some kind of a settlement.

In this connection, Washington's attitude toward the question of a Big Four conference has changed decidedly. The idea of such a conference is an old one, having been brought forward in the late 1940's. President Truman wanted no part of another meeting with the Russians. His explana-

tion was characteristically blunt: The Russians' word is no good.

He cited the number of treaties and agreements they had broken, a figure running well over 100.

"Let them show a real will for peace," Mr. Truman used to say in effect. "And let them substitute actions for words."

The Missourian used to say, too, that if Premier Stalin wanted to see him, then let Stalin come to Washington.

Contrast this with what President Eisenhower has said—that if there was a real promise of success in a Big Four meeting he would go anywhere.

Actually, President Eisenhower has no more faith in the Russians than Mr. Truman had. He, too, wants to see some evidence of a will for peace, something in the way of deeds, not words.

Even so, President Eisenhower is more amenable than was Mr. Truman, and it is now taken for granted here that he and the leaders of Russia, Britain and France will eventually meet in Vienna or some other place acceptable to all.

There are several reasons for this prospect, among them these:

The H-bomb, with its power to wipe out whole cities, has presented the world with a choice of co-existence or co-extinction. No statesman worthy of the name can now pass up a chance, no matter how remote, to free the world of such a horror.

Our allies, particularly Britain and France, are insisting on a Big Four conference. They are insisting because the peoples they represent are overwhelmingly in favor of such a conference.

Finally, and this is highly important, there is Senator George, who started the latest agitation in Washington for a Big Four conference, saying that it offered a real hope of avoiding war.

The same suggestion by a Republican senator would have had much less impact. For one thing, no Republican senator has Senator George's power or prestige. The 77-year-old Georgian is that rarity in Washington, a man who is above politics, at least where foreign policy is concerned; and who usually votes his convictions, regardless of what the party line may be.

His approach in a foreign-policy debate makes partisanship seem petty, as, for example, when he says something like this: "Answer not to me, gentlemen, answer to the American people."

The Far East crisis has, of course, put a terrible responsibility on the shoulders of President Eisenhower. One of the reasons he carries it well, no doubt, is his realization that Senator George is behind him, all the way. He has gone out of his way to express his appreciation of the grand old southerner who has raised high the banner of bipartisanship and given real meaning to the dream of a foreign policy that is neither Republican nor Democratic, but American.

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FEDERAL LENDING KILLS RESPONSIBILITY

The philosophy behind the Hoover Commission's recommendation that government reduce its program of loans and financial guarantees is disclosed here in the words of the Task Force on Lending

THE GOVERNMENT should discontinue loans or guarantees of loans to individuals and businesses.

It should, instead, encourage the direct investment of private savings in property ownership and in the equity shares of private business enterprises.

These are the recommendations of the Hoover Commission Task Force assigned to evaluation, analysis and recommendations on the government's lending and related insurance and guarantee activities.

The Task Force reported to the Commission on Organization of the Executive Branch of the Government which, in turn, made its own report to Congress.

A condensation of the Task Force evaluation and analysis of lending agencies follows:

THIS REPORT is critical of government lending where its object is to help individual people and businesses to improve their competitive positions and, in this way, to discriminate against those who do not qualify for similar assistance. The Task Force is apprehensive of the effects of such lending whether it occurs in programs set up specifically for that purpose or in programs originally set up for acceptable purposes but converted in their aims with the passage of time.

The principal objections to government lending in

the latter category in a capitalist society like ours are that it burdens the government with risks of business and domestic enterprise and, of even greater importance, that it encourages people to seek riskless investments for their savings.

Ever since the early 1930's we have made virtually a fetish of financial security for the individual, and by each successive governmental effort to enhance it we have loaded more and more of the inherent financial risks of our economic life on the federal Treasury. This was perhaps a natural and proper development to a considerable extent during the second world war when a great industrial expansion was undertaken as the united effort of all of our people. However, it has continued since the war. Our risks have continued to grow, as they must with the growth in the volume of enterprise, but by our efforts to escape them as individuals or small groups, we have assembled more and more of them in the national public debt where we hope they will somehow cease to plague us, or cancel one another out, or, in any event, await the coming of future generations for their settlement.

No economic system is free from risks of loss. The most that can be done about them is to shift them around so that some people are relatively more secure and others relatively more exposed financially. In recent years a favorite device politically has been to shift them around by law, relieving those of risk who complain the most about it, and loading it on to those who do not or cannot complain either because they are unaware of the load or because they are voiceless. Among others, our future generations are both unaware of the load and voiceless.

The savings of our people must stand the losses of our enterprises if there are losses. There is no way around this, no matter how remote we are able to make

FEDERAL LENDING

the settlement appear. There is no way around it even under our system of insurance on bank deposits and on investments in savings-and-loan associations.

Losses will be minimized if the risks and incentives of the private enterprise system are not dislocated by governmental interference, even interference motivated by good intentions.

Primarily on the ground that the further development of our homes, communities and enterprises will become more solidly founded and, secondarily, on the ground that the government's administrative machinery will become much less complex, the Task Force feels that the federal government should curtail its lending and that it should encourage the direct investment of savings in property ownership and in the equity shares of business enterprises.

Benefits of government lending:

The theory of government lending is that it produces economic activity which otherwise would not occur. This means that, if the government offers to pay

the bills now or later, homes will be built, factories will be constructed and outfitted, minerals will be mined, crops will be grown, electric power and telephone lines will be erected, goods will be exported for sale abroad, employment opportunities will be created, and many other business transactions will be undertaken even if in each case it would have been unattractive or financially impossible for the people concerned to undertake the transaction unassisted.

Thus, by having the use of the government's financial resources, through a loan or a guarantee, a man can become the owner of a home without first having earned and saved enough money to make a substantial down payment. A manufacturer, producer or distributor can expand his facilities and his output without first having accumulated enough property to collateralize a bank loan. A rural cooperative group can sponsor the extension of power and telephone lines into sparsely populated areas without first having acquired enough wealth to make the initial investment and to pay the premium costs of a marginal operation. An exporter can ship his goods for sale abroad in the face

Some types of financial assistance to which the Task Force objects:

- ▶ The present form of Rural Electrification Administration lending programs to finance expansion of electric energy distribution systems and electric lines for rural communities.
- ▶ The normal Reconstruction Finance Corporation programs of direct lending to business firms, and similar program of Small Business Administration, successor to RFC.
- ▶ The loan-participation or loan-guarantee programs of Reconstruction Finance Corporation and Small Business Administration.
- ▶ The lending and loan insurance programs of Farmers Home Administration to help farmers unable to get loans from banks or cooperative institutions.
- ▶ The disaster loan programs of Reconstruction Finance Corporation, Small Business Administration, and Farmers Home Administration.
- ▶ The Veterans Administration loan-guarantee program for veterans seeking to become homeowners, farm owners, or businessmen.
- ▶ The specialized lending programs for American Indians set up by the Interior Department.
- ▶ The combination lending and subsidy programs through which Public Housing Administration helps develop low-cost housing for low-income families.
- ▶ The Export-Import Bank loans to American firms which produce no effect on the nation's position internationally.
- ▶ The arrangements under which Commodity Credit Corporation provides temporary financial aid to farmers under its price-support program.

of substantial uncertainty concerning profits and collections. An employer can meet payrolls even though his resources may be temporarily frozen in overstocked supply bins and warehouses or in overexpanded customer charge accounts. And many businesses are afforded the opportunity to recover from disaster or from the mistakes of faulty management which, but for the government's assistance, would have brought the threat of business failure and bankruptcy.

By lending its funds or its credit, the government induces private people to exchange their goods and services where otherwise, for economic reasons, they would be unable or unwilling to do so.

These are the aims and direct results of government lending and they are represented to be its benefits.

Indirect Results of Government Lending:

1. The owner is relieved of the risks of ownership.

By legal restriction and other requirements of trusteeship, private lenders are sometimes restrained from making a loan simply because the borrower's need is too great or because it extends over too long a term.

When the government lends to fill this so-called credit gap, or when through its guarantee it induces private lenders to do so, it takes a considerable share in responsibility for initiating the borrower's project, or for sponsoring its continued operation, more or less in the form in which the borrower conceived it. By doing so, the government relieves both the borrower and the private lender of responsibility for finding additional private investors, for reorganizing the project in other ways, or for working it out by other private means. Among other things, in a particular case, this may tend to stifle initiative.

The need for funds in large amounts or for long periods more often than not is the need for owner's capital and it is unsound economically to try to meet this need by supplying lender's capital instead. Owners are free to tie up their funds for long periods. They also may take risks which lenders may not take. Where the government undertakes to lend what should be owner-capital, or where a banker does so in response to the government's urging, they shift the business risk from owner to lender and the effect is to lower the standards of lending.

The hazard which goes along with lowering the standards of lending is the hazard that an owner will lose his property by inability to repay the loan with interest; and the lender will become the owner in his place.

The risks of ownership are inseparably woven into the concept of private property. When an owner is relieved of his normal risks other than by his own effort and industry, he is beholden to those who assume the risks in his place.

This increases the likelihood that he also will be relieved of the other attributes of property ownership—the right, for example, to decide how, when, where and by whom the property shall be used.

In the end he is likely to be relieved of the property as well.

2. The owner is relieved of the responsibilities of ownership.

Responsibility follows risk. When an owner's risk in an enterprise has been minimized or eliminated because the government has supplied the funds which he otherwise would have to supply, then, speaking comparatively, the owner tends to feel no great pain from the failure of the enterprise. He would stand to gain by its success, of course, and so he would tend to work for

The comments and general recommendations of the Task Force were approved by all ten members:

Paul Grady, *Chairman, a partner of Price Waterhouse & Co., New York accountants.*

Paul Bestor, *president, Trust Co. of New Jersey.*

George L. Bliss, *president, Century Federal Savings and Loan Association, New York.*

Henry T. Bodman, *vice president, National Bank of Detroit.*

William W. Campbell, *president, National Bank of Eastern Arkansas.*

Albert Leslie Cole, *business manager, Reader's Digest.*

Clifford D. Cooper, *president, Horning-Cooper, Inc., Covina, Calif.*

Gardner Cowles, *president, Cowles Magazines, Inc.*

Preston Hotchkis, *United States Representative on the United Nations Economic and Social Council.*

Arnold B. Keller, *Indiana banker.*

Mr. Keller stated that he believes it would be best if the Task Force recommendations were made effective gradually rather than abruptly.

Mr. Bestor and Mr. Campbell, although endorsing the body of the report, objected to certain specific recommendations regarding some of the lending agencies.

its success, but his position is unbalanced because he will not try desperately to prevent its failure.

3. Mistaken enterprise is perpetuated.

Private lenders are sometimes restrained from making a loan because the borrower's collateral is not sufficiently marketable or because there is not enough of it and accordingly the risk of loss is too great.

When the government lends to fill this credit gap or when, through its guarantee, it induces a private lender to do so, it takes the risk of tying up its funds beyond the time agreed upon, or it takes more than the normal risk of losing them in whole or in part. It may take both.

Also it takes the responsibility which goes along with the decision to initiate or prolong what certainly is a marginal enterprise and what may well be an uneconomic enterprise.

Here the government not only shifts the business risk from owner to lender, but also it weakens the nation's economic structure by preventing the elimination of weak links in the chain.

We may not like to acknowledge it, but it is an essential truth that many in our society, though they may honestly wish to try, are not capable of being successful businessmen, (Continued on page 82)

STATESMAN from the NEW SOUTH

By TRIS COFFIN

Guided by what he calls "a sense of mission" A. Boyd Campbell, new president of the Chamber of Commerce of the United States, has worked for progress and growth in the nation as well as in his native Mississippi

A TALL man walked down the main street of a thriving southern town. Every few feet, he was stopped by a friendly word or handshake. For each well wisher, bank president or gas station attendant, he had the same warm smile—the smile of one who loves people.

This was a typical moment in the busy life of A. Boyd Campbell, the president-elect of the Chamber of Commerce of the United States. He is one of those rare souls, a natural leader, intelligent and broad-minded, with a genius for conciliation. He gently closes the door on bombast and intrigue and tries to win other men's minds by reason and friendship.

He is chairman of the Mississippi School Supply Company. He calls himself "just a pencil peddler." After his election by the Chamber of Commerce Board of Directors, Mr. Campbell received a note from a Pittsburgh banker, a former member of the Chamber's Board.

"If anything is needed to demonstrate that the presidency of the Chamber of Commerce is awarded on a basis of merit and personality, rather than the influence of so-called big business, you are a perfect example."

Actually, Boyd Campbell is a statesman of the new South, a South busy with progress and growth. He and his friends—utility and railroad operators, publishers, bankers, planters, lumbermen and industrialists—have changed the tide of Mississippi. Just three decades ago, this state was the poor relation haunted by illiteracy, a sagging cotton economy and a spirit of lethargy. Today, thanks to these business leaders, dairy herds, beef cattle and rice flourish on thousands of diversified green acres; factories are producing goods for an expanding southern market; hammers and rivet guns are building new schools. Boyd Campbell's foresight and persistence helped build these schools. He says again and

again, "I believe with all my heart that public education is an economic good, a moral obligation, and a spiritual trust."

The new South of Boyd Campbell no longer waves the bloody shirt. The term "carpetbagger," which once described the hateful despoiler from the North is now an affectionate phrase for the hundreds of northern businessmen and technicians who have come to Mississippi to take part in its progress. This economic transfusion of capital and know-how is bringing to the South the grandsons of federal troops which fought and burned their way to victory. A prime mover in Mississippi's startling growth is Michigan-born Rex I. Brown, chairman of the Mississippi Power & Light Co. In Mr. Campbell's home town, Kosciusko, Attala County, a bus company with headquarters in Lima, O., is manufacturing an export order of 500 buses to carry the Mohammedan faithful of Saudi Arabia to Mecca.

Across the state, trim new houses line the good roads where new model cars whiz by.

The magnificent contrast that is Mississippi is on every hand.

In Jackson, the state capital, is the gracious 114-year-old Governor's mansion, presently tenanted by two-term Governor Hugh White, founder of Mississippi's Balance Agriculture with Industry program and spearhead of the state's industrial development. On entering the majestic old building with white pillars, stately arabesques and hand-hewn four-poster beds where Jefferson Davis slept, the visitor meets a soft-voiced colored maid who asks, "Kin ah rest youah hat, suh?"

Down the street, carpenters, metal workers and plasterers are busy on a building that will soon house the modern offices of the Mississippi School Supply Company, Jackson unit of the office equipment and printing division which Mr. Campbell says is the tail of his company which wags the dog.

In this new South, the New Orleans Symphony plays to sell-out crowds in Cleveland, a town of 5,000; the Little Theater flourishes everywhere; the church plays an intimate part in the life and thoughts of the people. The divorce rate is relatively low. Juvenile delinquency is little known. A psychiatrist or ulcer specialist could starve.

This serenity and progress has been achieved by what Boyd Campbell calls "a sense of mission."

It certainly is the chisel that molded his life. Mr. Campbell believes, (Continued on page 94)



GOVERNMENT'S

Major question in the nation's economic outlook today is: "Will there be an automobile industry strike?" Only one government authority—except the President—has any responsibility in preventing such a stoppage. It is the Federal Mediation and Conciliation Service, and its only power is that of persuasion. Here is an interview with **Joseph F. Finnegan**, New York attorney specializing in labor relations for nearly 20 years, appointed by President Eisenhower as the head of the service:

Do you have any crash program ready to deal with the automobile situation?

No. Definitely not.

At what stage would you involve yourself in the negotiations?

That can't be answered categorically. We have to play by ear. Certainly not until every possibility of reaching agreement has been exhausted.

Would a strike have to threaten?

It is reasonable to assume that, if both sides invited us into the picture, it would be because they were satisfied they could not work the situation out on their own and that a strike was imminent.

Do both sides have to ask you to come into a dispute before you can intervene?

No. Under some circumstances we can move in on our own motion where we feel there is a substantial threat to the free flow of commerce. **Would the Service intervene on its own to prevent a strike?**

Speaking of the automobile industry, I would say no. We only step in when we think we can be helpful and both sides want our help. With the maturity and sophistication that exists on both sides of the bargaining table in that industry, the

chances are they will work out their own solution without our advice or assistance.

You don't have power, then, to order arbitration?

No. If a company and a union say they don't want our services, there is nothing we can do to compel them to accept them. Our only stock in trade is persuasion.

How about the Taft-Hartley law?

Well, the President under the national emergency section of that law may get an 80-day injunction in exceptional circumstances, but this authority has rarely been used. There were two injunctions last year in atomic energy disputes. Since the law was passed in 1947, the President has set up boards of inquiry 13 times to deal with disputes threatening a national emergency, but only nine of these situations reached the injunction stage.

Do you help the President decide whether to invoke Taft-Hartley?

I imagine I would be consulted, along with Secretary of Labor Mitchell, Secretary of Commerce Weeks, and other interested government agencies.

What would be the effect of an injunction?

It would prevent a strike for 80

days—a cooling-off period—during which the board of inquiry would make a finding of facts and the workers would be polled on whether to accept the employer's last offer, if the dispute weren't settled in the meantime.

This will be a busy year in labor relations, will it not?

Yes it will. In the first place, the five-year contracts, which have assured the automobile manufacturers their longest period of peace since they were organized 20 years ago, will terminate. Then there is the demand for the guaranteed annual wage. Fringe benefits—somebody has called it a "fringe binge"—will also play an important part in the negotiation picture; for example, demands for increased vacation benefits, triple pay for holiday work, insurance benefits, including dental insurance, and various forms of job security falling short of the guaranteed wage objective.

When will these negotiations start?

Glass contracts are being negotiated now. Then General Motors' contract expires May 29; Ford's, June 1; Chrysler's in August. The steel contract will open July 1 on wage rates only. General Electric comes up Sept. 15.

What about demands for a general wage increase?

That is something that most people lose sight of when they start talking about the pending labor negotiations. They become hypnotized, I think, by looking at this guaranteed annual wage subject and forget that a walloping wage increase could be just as costly to a company as some of these other benefits.

Is the guaranteed wage a new demand?

No. The late Philip Murray tried to get it during the war for his CIO steel workers. This led to a presidential study of the question at the suggestion of the National War Labor Board. The steel union has since made the demand again in the steel and aluminum industries, but did not press it. The CIO electrical workers have also made the demand

ROLE

if auto strikes come

in the electrical industry. There is also a rumor that the glass union is playing with the idea of pressing this demand seriously as a pilot or test operation preliminary to a showdown in Detroit. Having some 25,000 glass workers on strike while 500,000 laid-off automobile workers draw unemployment compensation might be an inexpensive way to feel out how far management is willing to entertain this demand for a guaranteed wage.

Then why is the annual wage attracting so much interest now?

Largely because Walter Reuther, head of the United Automobile Workers—one of the largest unions—has declared that the union is going to make a strong attempt to get the guaranteed annual wage this summer. In fact, he has announced that the union is irrevocably committed to the principle. If the matter is not worked out over the bargaining table, a stoppage in the automobile industry might precipitate a major dislocation of American industry. Such a development would concern everyone.

What are Mr. Reuther's demands?

According to the union's own booklet, "UAW-CIO Guaranteed Employment Plan," the stated objective is to assure continued employment in the industry through stabilized production. The employer would finance the plan, partly on a pay-as-you-go basis, partly out of a reserve fund. As I understand it, there would be two guarantees:

►One, all employees covered by the contract would be guaranteed 40 hours' pay in any week in which they worked at all;

►Two, all seniority employees—those with at least three months' service—would be guaranteed payments sufficient to permit them to maintain the same living standards when laid off as when at work. The guarantee would be reduced by any payments the employee received under unemployment compensation. After three months of probationary employment the worker would build up a credit of one week's guarantee for every

(Continued on page 98)

EDWARD BURKS



Chief Federal Conciliator Finnegan expects more labor trouble this year, warns strike in automobile industry would have nationwide impact on many small businesses

YOU'RE *starving*

Here are some examples of what business organizations can do when members, recognizing them as parts of their own operations, support them with energy and interest. But a survey shows that many Chambers are handicapped because they are denied both time and money

By STANLEY FRANK

AMERICAN businessmen are undersupporting the free enterprise system.

Too many of them are starving—in more ways than one—their local Chambers of Commerce, potentially the strongest tool they have to create and maintain a favorable climate for business, and improve the general welfare of their communities.

A Chamber of Commerce properly is a working department of every business in the area it serves. And yet, by paying ridiculously low dues, the businessmen in many areas are making impossible the valuable benefits they could be receiving.

These are inescapable conclusions drawn from the latest survey among 2,682 organizations affiliated with the Chamber of Commerce of the United States.

The survey discloses that in one instance, in a metropolitan center of 500,000 persons, the annual Chamber of Commerce dues minimum is \$10.

That compares with \$90 per year of dues and assessments which each member of the United Automobile Workers pays this one union.

A Chamber of Commerce is an organization that coordinates the talents and resources of businessmen striving to make their community a better place in which to live and earn a living. The key word is "community." The proper function of a Chamber is to initiate and support projects in the public interest, a service that justifies the free enterprise system—and depreciates the false promises of communism.

A sound program constantly appraises the need for cultural and material improvements calculated to raise the living standards and contribute to the prosperity of all residents, not a favored few. It embraces a wide area of activity ranging from building new schools to attracting new industries that will provide employment for an expanding population and stimulate all business in the vicinity.

The local Chamber's effectiveness may be measured by five factors—its annual budget, the size of its membership, the effectiveness of its volunteer workers, the skill of its administrative staff and, above all, its program. This should be constructively geared to the community's economic and social vitality.

But the last named two factors depend entirely on the first three. And there again the businessman is failing to take full advantage of his opportunity to make his Chamber a more forceful instrument for his own and his community's good.

On the average he is even more miserly with his time than with his money. Figures show that only 27 per cent of local Chamber membership is working on committees. At least half should be. That's the level where the work gets done.

Some Chambers lack formal programs. These, mainly in smaller communities, are so underfinanced and undermanned that a formal program would be useless. There would be no way to bring a program to a fruitful conclusion.

It is shocking to find that 70 per cent of this nation's local Chambers are limping along with annual budgets of less than \$10,000 a year—and that a few have not increased their basic dues rate since 1925.

This is not as black as it may look because these figures apply to the great number of smaller communities and, in many of these, outstanding results are achieved with volunteer manpower.

The rock-bottom minimum for Chamber of Commerce dues should be \$40 a year. That's less than half the union dues of an auto worker. The minimum should apply only to business houses which gross less than \$50,000 a year.

Larger businesses should be assessed on a rising scale of proportionate support. A good point to remember: It takes about \$25 a year for the average Chamber to carry a member on the books and provide him with publications and bulletins pertinent to his own and the Chamber's business.

Forty dollars a year—or \$5,000, \$10,000, even \$20,000, for a corporation with a capital investment running into the millions—is an insignificant payment for maintaining and strengthening the philosophy of free enterprise.

Are you one of those businessmen who demands results?

The results of a Chamber of Commerce never should be measured by things visible to a casual observer. Booster days, Christmas season decorations and other such promotions are a small and relatively unimportant part of a properly run Chamber's work.

The real accomplishment comes through well planned study of and action on issues of local, state and national importance. Let's get down to cases—

Take education. Everyone pays lip service to the principle that good schools and fairly paid teachers are investments in the future of America, enlightened citizenship, and more of the same things you've been hearing ever since you began to pay taxes. Opposing education is like putting the rap on motherhood or kindness to dumb animals. It simply isn't done—in public anyway. But some hard-headed folks believe altruism is for the birds. Why, they demand, should

YOUR LOCAL CHAMBER

they spend money to improve the school system for a bunch of strange kids? What's in it for them? Anyone who has taken the trouble to look at figures compiled by the United States Chamber of Commerce can give a convincing answer.

Better schools mean more money in the bank. There is a definite correlation between education and consumption of goods. People with college or high school educations have 77 per cent of the country's \$5,000-a-year incomes and 82 per cent of the incomes that exceed \$10,000. Conversely, those who have not gone beyond grammar school have 61 per cent of the incomes in the brackets below \$2,000. In urban areas, people who have completed 11 years of school average \$1,100 a year in retail purchases. Those who have gone to school eight years spend \$850 a year.

Altoona, Pa., measures the value of education with a realistic yardstick. Since 1943, industries have made capital investments in Altoona totaling more than \$55,000,000. One of the city's prime attractions for new plants is a high school vocational program that turns out 650 graduates a year trained in 11 different skills.

Education shapes attitudes of far-reaching significance to business. A recent Chamber of Commerce survey disclosed that a slim majority of the public (57.7 per cent) believes the profit-and-loss system

confers more advantages on labor and management than a controlled economy. That opinion is held by only 46.2 per cent of people with eight years of formal schooling, but 73.1 per cent of college graduates subscribe to it. Spreading the benefits of free enterprise through education is altruistic, all right—and it's good business, too.

A conspicuous example of rich dividends from a well supported, progressive Chamber of Commerce program is found in Tulsa, Okla. The Tulsa Chamber, with 3,300 members who pay dues ranging from \$40 to \$6,000 for large corporations, banks and utilities, has a budget of \$293,000 this year, the highest per capita in the country.

Granted, the Tulsa Chamber has several expedients few cities can match: It has barrels of oil money, a membership loaded with civic pride—and Judge Grady Cornett.

Judge Cornett, a big man who speaks and moves deliberately, has set a record that staggers credulity. In April he brought his one thousandth new member into the Tulsa Chamber. That's right; the Judge personally has been responsible for signing up 1,000 members in the past 14 years. Formerly a judge in the Court of Common Pleas, he devoted so much time to Chamber of Commerce work that many people wonder how he manages

(Continued on page 88)

TULSA HAS AN EFFECTIVE CHAMBER



JOHN LEWIS STAGE-BRACKMAN ASSOC.

The Tulsa, Okla., Chamber, 3,300 active members, \$293,000 budget, has long record of accomplishment. Also has Judge Grady Cornett, who has brought in 1,000 members. At left, Judge Cornett (wearing hat) sells his one-thousandth membership to Curtis Holsted, sales manager of Hockadays stores. At right, Mr. Holsted signs up with the Chamber





NOLAN PATTERSON—BLACK STAR

AN AUTHORITATIVE REPORT BY THE STAFF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

AGRICULTURE

The current dust bowl situation of the Great Plains, fully as severe as in 1936, is a reminder of the importance of protecting our farm lands from soil damage.

For years a federal conservation subsidy program, involving payments to farmers for carrying out conservation practices, has been operating.

Much of the conservation work is carried out through the more than 2,600 farmer-managed soil conservation districts which include four fifths of our farm land and 90 per cent of the farms. In an effort further to reduce soil losses, stabilize ground water and safeguard water supplies for urban uses, Congress last year authorized development of, and aid to, small watershed organizations. More than 300 small watersheds have already asked for assistance. Among other requirements, federal aid depends upon the organized interest of forestry, industry, recreational groups and other urban interests, as well as farmers.

Another special program, the Water Facilities Act, provides for both direct and insured loans for soil and water conserving practices.

CONSTRUCTION

The Administration's \$25,000,000,000 program for the interstate highway system is meeting opposi-

tion from various quarters. Senator Byrd, in testifying for the first time before a Senate committee, was outspoken in his criticism, particularly of the bond issue financing proposal. This would permit issuance of bonds outside the debt limit. Even the Comptroller General called that proposal objectionable.

Hope for new legislation lies in getting action in the House of Representatives on a highway bill that would command general approval. The Good Roads Subcommittee of the House Public Works Committee, under the chairmanship of Rep. George H. Fallon, is holding hearings. This committee, in the past, has been chiefly responsible for initiating highway legislation.

Last month the National Chamber sent its organization members an interrogation on the highway situation, requesting replies by April 25. The replies will be summarized and made available to the Policy Committee of the Chamber's Annual Meeting, May 2, 3, and 4.

CREDIT & FINANCE

Just in time for the latest round of wage negotiations, the Commerce Department has released a study which shows that the income of American families in 1954 was slightly larger than in 1953—despite the great fears of recession.

Average family income, before tax, was about the same in the two

HOW'S

years, \$5,330. Because of tax cuts, the after-tax position in 1954 was better, \$4,820 compared to \$4,779 the year before. Taking into account the slight rise in cost-of-living in 1954, the real after-tax position of the average family was about the same in the two years.

Real purchasing power has increased steadily. Compared with 1929, real purchasing power for the average 1954 family is up 30 per cent. This increase occurred in the face of the tremendous rise in tax burden between the two dates.

Effect of the federal income tax is clearly apparent. For all but the top income group the percentage share of after-tax income has increased. The share of the top group has declined.

DISTRIBUTION

Automation has been heralded as a great new development in manufacturing. Not as much has been said about its impact on distribution, although here automation also means widespread changes:

1. Continued growth of automatic merchandising through vending machines.

2. Increased use of business machines will cut paperwork, streamline accounting, release personnel for more productive activity.

3. Use of computers or automatic brains will make possible more and better research on consumers and markets.

4. Machines will tremendously increase efficiency in handling at wholesaling and retailing levels.

5. Greater efficiency in manufacturing will cause a shift in emphasis to distribution. Proportion of people employed in wholesaling, retailing advertising and services, will increase as the problem becomes less that of satisfying demand and more that of creating markets and selling.

Net results of increased automation in distribution should be a greater variety of goods and services at lower cost to the public.

FOREIGN TRADE

Commercial disputes between international traders are expensive and time-consuming barriers to international trade. Many foreign traders who disagree with their for-

BUSINESS? a look ahead

foreign customers or sources of supply fear law suits or losses.

American businessmen are increasingly using voluntary arbitration in their foreign trade dealings. By this process disputes are submitted to one or more impartial persons for a decision which both parties agree to accept. It is customary, therefore, to include in the contract a clause providing for arbitration.

However, some nations do not yet have arbitration laws. Bilateral agreements for arbitration have been included in recent commercial treaties between the United States and other countries. Such agreements would give businessmen protection not otherwise provided.

Meanwhile, at the request of the International Chamber of Commerce, a committee of the Economic and Social Council of the United Nations is considering a "Draft Convention on the Enforcement of International Arbitration Awards."

GOVERNMENT SPENDING

If recommendations in the Hoover Commission reports now being presented are adopted, it should be possible to come close to a balanced budget for 1956, with still larger savings in future years.

Part of these savings will come from more efficient ways of carrying on government business. The transportation recommendations that would save some \$151,000,000 are a case in point. Other savings would come from changing government policies, as illustrated by some of the recommendations in the report on lending agencies.

The Commission is showing a willingness to face up to difficult problems. Its reports on medical services, for example, tackle the thorny question of free medical care for non-service-connected disabilities of veterans and the medical care programs of the Armed Services.

Forthcoming reports should provide information on other controversial issues, as, for example, government activities which compete with private business.

LABOR

Federal pre-emption of state authority in handling labor disputes continues to broaden by a new Su-

preme Court holding that a state restraint of trade law must bow to the National Labor Relations Board and the Taft-Hartley Act, if a labor issue is involved. The high court, in a decision affecting a brewery caught in a jurisdiction dispute, held that Missouri could not enforce its own anti-trust law as long as there was a possible federal remedy. At least three other pre-emption of state rights labor cases are pending before the court.

All the activity has not been confined to the courts. Congress has been taking an interest. Rep. Howard W. Smith (D-Va.) again has introduced a bill to modify the Supreme Court's interpretation that where Congress has enacted legislation on a subject, the states are deprived of all power to enforce similar laws even though not in conflict with the federal act. The bill would permit concurrent jurisdiction in order that a state act, where not in conflict with a federal act, also can be enforced in the state courts.

NATURAL RESOURCES

Growth of the nuclear power plant industry depends upon the attitude taken by industry and the climate provided by the government, according to W. K. Davis, director of AEC's Division of Reactor Development. Establishment of a sound technological base upon which to build will require cooperation between industry and government. Both now agree that economic power plants can and will be built.

The present thinking in AEC, largely confirmed by industry's experts, is that installed nuclear power plant capacity will expand rapidly.

On the basis of rough assumption, it appears that nuclear capacity equal to our present total power capacity may come in 20 to 25 years.

Meanwhile, the Congressional Joint Committee on Atomic Energy has appointed a citizens' panel to study peaceful uses of atomic energy. This group will be helpful to both the Joint Committee and the Atomic Energy Commission, according to AEC Chairman Strauss.

TAXATION

Now that the big battle over extension of the corporate and excise rates

has ended, the remainder of this session will be devoted to a series of harassing political skirmishes designed to discredit the Code Revision of 1954.

First of these was the attack on Sections 452 and 462. Debate on the bill to repeal these sections was not directed at their merits but rather was used to reopen all the issues raised last year in opposition to the Revision Bill.

Even the bitterest opponents of the sections based their case chiefly on the immediate revenue loss that is involved.

None challenged the validity of the accounting principle the sections recognized.

As originally presented and passed, these sections were to correct acknowledged inequities. Such action inevitably results in revenue loss, at least temporarily. The question seems to be whether, because the amount of tax inequitably collected in past years is larger than we thought, we must continue the inequity.

TRANSPORTATION

Thirteen local service airlines are being moved from temporary to permanent status by legislation that is being readied for clearance by Congress.

Ordinarily, airlines must wait for certification by the Civil Aeronautics Board. The local service airlines have received certification for temporary periods running up to seven years, but permanent certification has been held up to permit them to show more definite signs of becoming self-sufficient and, consequently, less dependent on government subsidy.

Claiming that their uncertain status under temporary certificates makes it difficult to attain the required self-sufficiency, and impatient with the CAB, the local carriers carried their plea to Congress.

A difference of opinion already appears to exist over whether the Board must now continue subsidizing a carrier, even though a permanent certificate has been granted, if it finds that the cost has become disproportionate to the public benefit. As a whole, the local service carriers now receive more than 40 per cent of their gross revenue from subsidy.



ROBERT PHILLIPS

GOVERNMENT BUILDS BRAINS RESERVE

If war should come the United States will depend on a trained pool of civilians to direct defense production. In this exclusive interview **Arthur S. Flemming**, Director of the Office of Defense Mobilization, tells how the pool is being formed, who is in it and what will be expected of it in any future emergency

What is the ODM Executive Reserve Program?

It is a plan to establish a nucleus of executive personnel to be used in filling responsible government mobilization positions in periods of emergency. It is a pilot program. We hope to see it extended to other government agencies which need a similar arrangement as soon as we have had sufficient experience and have developed the necessary procedures and policies.

How does the program work?

This reserve, although operated on a voluntary basis, will in a sense be similar to the military reserve, organized and available for call on short notice.

Initially the ODM will recruit approximately 50 people from outside the government. Generally, these people will be between the ages of 35 and 55.

We will make arrangements, allowing for considerable leeway to avoid unnecessary interference with the reservist's normal occupation, to keep these people informed of our activities in general and somewhat more specifically in their own specialties. We will do this by having them visit the Office at their convenience, possibly along with other reservists, and by supplying information regularly by mail. Generally, we will try to have them spend some time in the Office—at least once each year—so that they can inform themselves on the progress of plans in their areas of interest and can keep abreast of changes in government organization and policy.

In addition, the reservist will participate in war game exercises designed not only to uncover weaknesses but also to help all personnel become familiar with typical problems and their solutions. These war games will be conducted periodically.

Why is this reserve necessary now?

Heretofore, the government's personnel needs in a period of all-out or high-level mobilization had to be handled on a crash basis. This has meant an excessive time lag in developing effective organizations. Developments in military technology make it necessary to establish a systematic program for recruiting executives in advance of need.

How will it help defense planning?

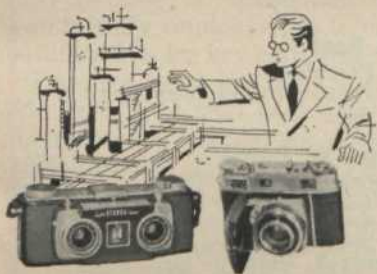
The plan will give us some definite idea where we would turn for our key personnel in case of mobilization. We would know that these people would be generally informed about our problems and could do a competent job without a period of

How other firms are improving business with pictures



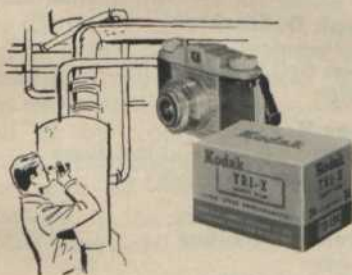
Bringing statistics to life

For some of the country's top advertisers, the Schwerin Research Corporation surveys TV and industrial film audiences. "Statistical presentations can be boring without the aid of some dramatic tool," says Horace S. Schwerin. "So we bring ours to life with color slides. And for smooth presentations, Kodalight Master Model Projector is our favorite piece of equipment."



"Photographs are our chief selling tool," says industrial model builder

"Good photographs are the best selling tool we've found to sell the realism and detail of our scale models, which we make to aid industrial plant design and construction," says Donald L. Atkins, president of Atkins & Merrill, Inc. "We use both Kodachrome slides, made with a Kodak Retina Camera, and color stereo slides in our sales presentations. We have found the stereo slides especially convincing, because their three-dimensional quality shows our models with amazing realism."



Cowles Dissolver Co. simplifies engineering with new-type film

"Before we install our chemical-mixing machinery in a customer's plant, we need detailed information about the installation area," says H. N. Meyer, general manager. "Photographs showing these details save us many hours of engineering time."

"But many of our installations are in poorly lighted plants where restrictions prevent the use of photoflash bulbs. Now, however, we lick this problem with the new Kodak Tri-X Film which pulls the details out of shadows without special lighting."

How can YOU use photography to boost sales, cut costs, or improve efficiency?



If you're looking for a more dynamic sales tool...

You can profit from this movie success of the American Air Filter Company

Three years ago, the American Air Filter Company of Louisville, Ky., decided to use movies to get the story of their Unit Ventilators to architects, engineers, and school officials. Their 16mm. color sound film "Design for Learning," produced by Wilding Pictures Corporation of Chicago, has been tremendously successful. Advertising Manager Robert F. DeLay writes: "The film has given us an entrée into once-closed offices and meetings. Our salesmen call it their 'ticket through closed doors.'"

"And our sales of Unit Ventilators have been climbing steadily since we started using the movie... with many \$7,000 to \$10,000 orders directly traceable to this amazingly effective sales tool."

Which projector? "We tried several makes," says DeLay, "before equipping our men

with Kodascope Pageant 16mm. Sound Projectors. Compactness, ease of threading, and maintenance-free operation due to permanent pre-lubrication sold us on the Pageant. And our Pageants have certainly delivered this performance."

Chances are good that movies can help write a similar success story for you, too. If you'd like background information for movie planning, send the coupon for a copy of "Motion Pictures: Aids in Business and Education." And we'll also be glad to send you a copy of a new color catalog on Kodascope Pageant Sound Projectors. There are six Pageant models—and one of them is just right for your movie requirements.



EASTMAN KODAK COMPANY, Dept. 8-V, Rochester 4, N. Y.

5-56

Please send me the name of nearest Kodak Audio-Visual Dealer and complete information on items checked: ☐ "Motion Pictures: Aids in Business and Education" ☐ Kodascope Pageant 16mm. Sound Projectors ☐ Kodalight Projectors and Table Viewers ☐ Kodak Miniature Cameras ☐ Kodak Tri-X Film ☐ Kodak Stereo Camera and Viewers

NAME _____

POSITION _____

COMPANY _____

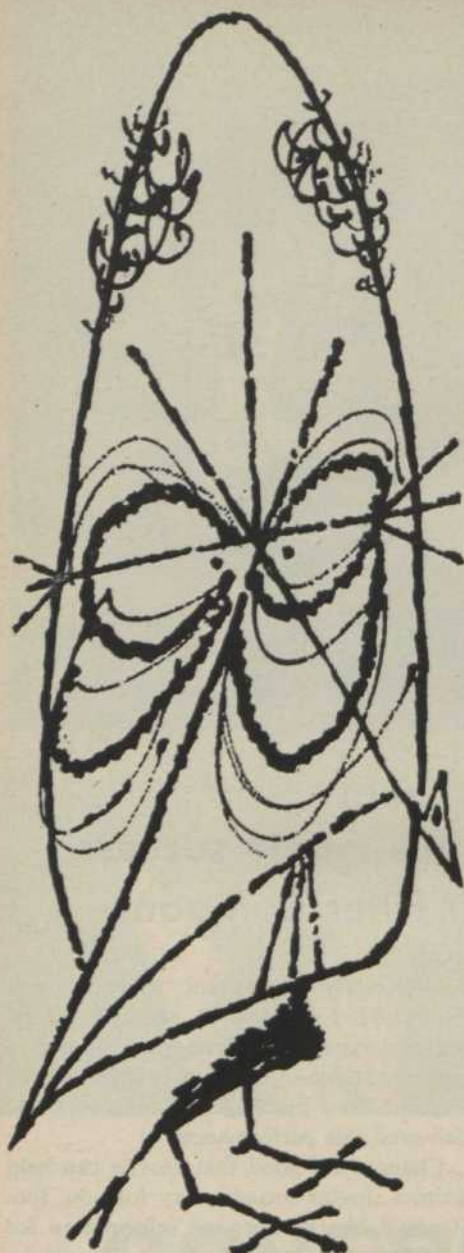
STREET _____

CITY _____

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(Zone)

Kodak
TRADE-MARK



THE BLEARY-EYED BUZZARD

Still seen in some areas, and usually spotted by office typists, these terrible-tempered birds sing very sweet songs at the sight of clean, easy-to-read carbon copies. As a result, more and more girls are now insisting on M & V Carbon Papers for all typing. With M & V, they can make all their copies as easy to read as originals.

If you've got one of these Jekyll-and-Hyde birds in your office, straighten him out with M & V. For a free print of the "Buzzard" (suitable for framing), plus samples of M & V Carbons, write to Mittag & Volger, Inc., Park Ridge, N.J.



**CARBON PAPER
AND
INKED RIBBONS**

orientation. There are also by-product advantages: By maintaining frequent contact with the Executive Reservist through bulletins, correspondence, and telephone we have developed an informed audience on which we can test out some of our current thinking on mobilization planning. This should help to prevent an ivory tower approach to plans for mobilization.

How many persons will be involved in this program?

Fifty people from outside of the government.

In what stage of development is the plan now?

Selected reservists are being enrolled preparatory to starting a training program.

How soon do you expect to reach full force?

Full quota has been selected, although substitutions may have to be made from time to time to take care of attrition.

From what fields do your reserve executives come?

These people will be recruited

MEN WHO HAVE JOINED THE EXECUTIVE RESERVE

Adm. Frederick J. Bell
*Executive Vice President
National Auto Dealers Assn.
Washington*

R. D. Bradford
*Vice President
American Smelting & Refining Co.
New York*

Robert L. Clark
*Clark, Hitchcock & Associates
Washington*

Brig. Gen. Carlton S. Dargusch
*Attorney
Columbus*

John J. Flynn
*Legislative Director
International Union of
Electrical, Radio & Machine
Workers (CIO)
Washington*

H. L. Hall
*Manager, Production Planning Div.
Aluminum Co. of America
Pittsburgh*

Forest L. Henderson
*Executive Vice President
American Cable and Radio Corp.
New York*

George Lilygren
*Vice President and General Mgr.
Machinery & Systems Div.
Carrier Corp.
Syracuse*

Carl Lindner
*AFL Glass Bottle Blowers Assn.
Philadelphia*

Harold B. Lyda
*Director
Unemployment Insurance
Associated Industries of
New York State, Inc.
Albany*

James Noe
*International Brotherhood,
Electrical Workers (AFL)
Washington*

Chester F. Ogden
*The Detroit Edison Co.
Detroit*

G. S. Paul
*Vice President
The Western Union Telegraph Co.
New York*

Charles W. Potter
*Assistant Vice President
American Telephone & Telegraph Co.
Asbury Park, N. J.*

Thomas R. Reid
*Director of Civic Affairs
Ford Motor Company
Dearborn, Mich.*

George J. Richardson
*Secretary-Treasurer International
Assn. of Fire Fighters (AFL)
Washington*

Stanley Ruttenberg
*Director of Research
CIO
Washington*

Sidney Sparks
*Vice President
RCA Communications, Inc.
New York*

Joseph D. Stockton
*Vice President
Illinois Bell Telephone Co.
Chicago*

James H. Taylor
*Director of Industrial Relations
The Procter & Gamble Co.
Cincinnati*

L. Gordon Walker
*Manager
Ore & Coal Exchange
Cleveland*

R. Carter Wellford
*Manager of Personnel, Film Dept.
E. I. du Pont de Nemours & Co.
Wilmington, Del.*

James A. Williams
*Division Manager
New England Telephone &
Telegraph Co.
Boston*

R. W. Wortham, Jr.
*Executive Vice President
Southland Paper Mills, Inc.
Lufkin, Texas*

from industrial and business organizations, colleges, trade associations, farm organizations, labor unions, and other employers of executive personnel.

In what areas will they work?

They will work in all of the areas of the Office of Defense Mobilization. We happen to be organized at present along the lines of Production, Stabilization, Materials, Telecommunications and Manpower. In addition, we have a division of Plans and Readiness, which in many ways cuts across all these fields.

How do you select key personnel for the program?

Positions which, on the basis of current planning, will need to be filled in case of emergency have been broadly catalogued in terms of specifications for key activities.

The area head in ODM will decide from what field in private employment the individual reservist most logically should come. Selection is made from among individuals who have had recent successful government experience in this field and by contact with proper officials of private organizations who are in a position to recommend candidates.

What is the relationship of their reserve jobs to their private jobs?

We foresee no major problem in connection with the peacetime service of the Executive Reserve because in peacetime the reservist will not be asked to make any independent decisions. In time of emergency, it is anticipated that reservists will serve on a without-compensation basis with allowance for travel and per diem.

The period of service under these conditions will be indefinite. Thus, the reservist will remain on the pay roll of his company, college, or union, retaining all collateral benefits such as pensions, insurance, bonuses, to the ultimate advantage of his career and future security.

How does the program help the individual executive?

The Executive Reservist will have knowledge of government organization and current thinking and problems when called to active duty.

How does it help the employer?

The benefits to the employer are, of course, indirect but nevertheless valuable. Particularly from the standpoint of business and industry, there has never been a time when clear-headed planning and vigorous
(Continued on page 91)



are we squeezing it dry?

The world's consumption of life-giving water is growing at an alarming rate.

In our country alone, the average family uses about 300 gallons daily.

Industry needs billions of gallons more. By 1975 demand is expected to double. Yet the amount of rainfall remains the same. And erosion of moisture-holding soil is a continuing problem.

America's waterworks engineers work tirelessly to assure your family and your business plenty of water. But they need . . . and deserve your help. So use, enjoy Nature's most precious commodity...but conserve water wherever you can. Support the forward-looking plans of your water officials.

**WATER, your priceless heritage . . .
use it . . . enjoy it . . . protect it with**



**Man's most dependable carrier
of water—Cast Iron Pipe**

Laid 123 years ago this cast iron water main still serves Richmond, Va. Today, Modernized Cast Iron Pipe is even tougher, stronger. Cast Iron's proved record of long, trouble-free service assures greater service...saves tax dollars.

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NEW CHEVROLET

Now America's No. 1 truck builder brings you features and advances never before available—and they're ready to make and save you money on any job right now!

With their axle-to-axle engineering advances, these new Task-Force trucks do your work in record time with record economy. With their distinctive modern design, they say more and better things about you and your

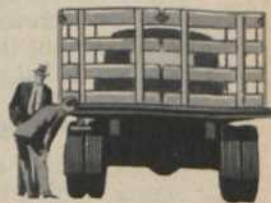
business than any trucks ever built. There are new models, more models, higher capacities than ever. See them at your Chevrolet dealer's . . . today. Chevrolet Division of General Motors, Detroit 2, Michigan.



The cab is as new as the view
New Sweep-Sight windshield—new High-Level ventilation—new construction—new comforts throughout!

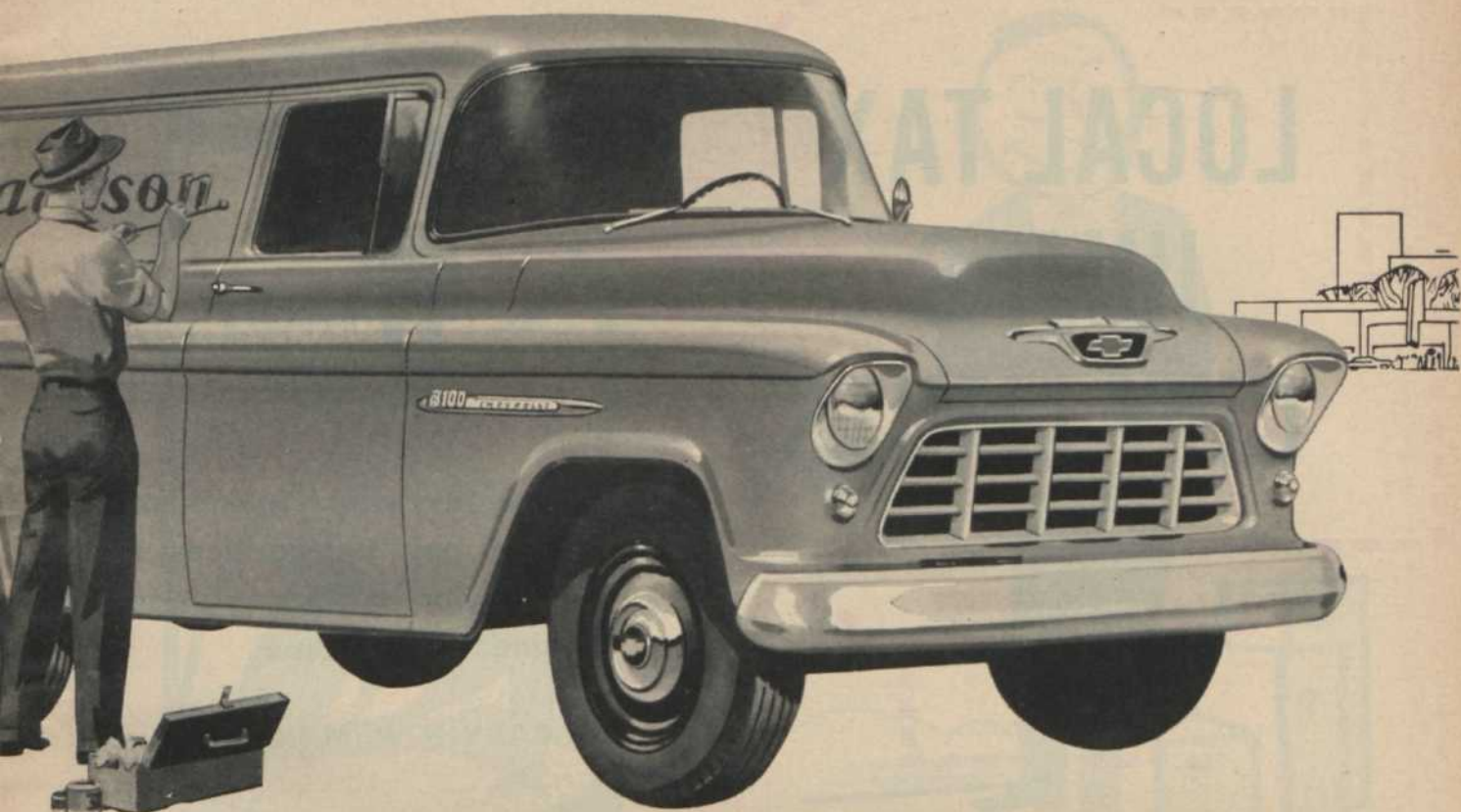


A smoother, load-steady ride
New suspensions front and rear provide a smoother, more stable ride for the driver and load alike.



New standard width frames
All models now have new more durable ladder-type frames of standard width, with full-length parallel side members.

It's better business to buy Chevrolet trucks!



Task-Force **TRUCKS**



New styling in trucks

It's Work-Styling—an exclusive development in truck design with two distinctively different styling treatments.



New 18,000 lbs. G.V.W. capacity

New Chevrolet Task-Force trucks are designed and built to handle loads of all sizes. There's one for *your* work!



Six new "high-voltage" engines

All six new engines feature a new 12-volt electrical system for faster, surer starts and increased generator capacity.



New Overdrive or Hydra-Matic

Your choice of Synchro-Mesh or, as extra-cost options, new Overdrive ($\frac{1}{2}$ -ton models) or Hydra-Matic ($\frac{1}{2}$ -, $\frac{3}{4}$ - and 1-ton).



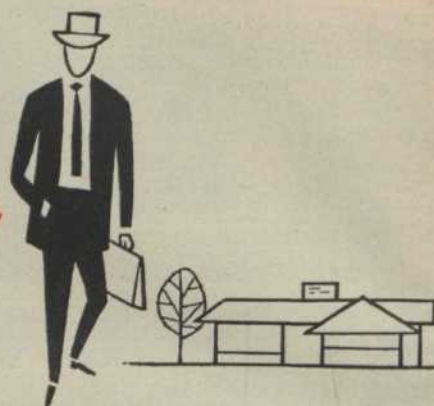
New Power Brakes, Tubeless Tires

Power Brakes are standard equipment on all 2-ton models, optional on others. Tubeless tires on all $\frac{1}{2}$ -ton models.

New handling ease with Power

Steering—Now Chevrolet Power Steering, ready to make driving safer and easier, is available on all models at extra cost.

LOCAL TAX JUMPS CITY LIMITS



Income levy which makes suburbanites pay for services used puts burden on business, doesn't hit unearned income

By CALVIN W. MAYNE

THE LOCAL income tax is a small dark cloud looming larger on the local tax horizon.

This municipal levy on earned incomes of individuals and net profits of business could become the favorite solution of American city officials for their mounting financial problems.

The term "local income tax" is actually a catch-all description. It covers the varying types of taxes on incomes imposed in four states by about 400 local government units with 7,500,000 total population.

In its fullest sense, an income tax is levied on almost all sources of individual or business income, usually after deductions and exemptions. For individual taxpayers, this includes earned income (wages, salaries, commissions) and unearned income (interest, dividends, rents and royalties, contest prizes and similar items).

The federal government and many states use this income definition. Some Ohio cities tax unearned income not covered by state taxation. But in all other cities now taxing individual incomes, the levy applies on earned incomes only. Most of the taxes are collected through payroll withholding by employers, and therefore the levy is sometimes incorrectly called a payroll tax.

Actually, though, the only municipal tax literally entitled to this name is the payroll tax authorized—but never imposed—in New York City. It provides for a one half per cent levy on payrolls, shared equally by employees and employers.

The local income tax is called "wage tax" in Philadelphia, "income tax" in Columbus, "occupational license tax" in Louisville and "earnings tax" in St. Louis.

Other cities levying a form of local income tax include Pittsburgh, Toledo, Dayton, Youngstown, Erie and Scranton. A Cincinnati income tax is under court review. Smaller cities ranging from Paducah, Ky., to Sharon, Pa., have the tax. About 250 school districts and 120 boroughs in Pennsylvania tax earned incomes.

Philadelphia in 1939 was the first city to tax incomes. Since World War II, the tax has spread to more than 30 other cities, almost all with more than 25,000 population.

State by state, here's how the score stands:

Sixteen cities in Ohio and Kentucky and one city (St. Louis) in Missouri now tax individual earned incomes and business profits. Local governments in Pennsylvania tax individual earned incomes and net profits of unincorporated business

only. New York has authorized a payroll tax only for New York City. Washington, D. C., also has an income tax which is similar to state income taxes.

Collections total more than \$100,000,000 a year. Although this is only about one per cent of the total tax take by local governments, the local income tax is a major source of municipal revenue in cities where it is used. Toledo's tax is the number one source of local government income. Louisville draws 26 per cent of its general revenue from its municipal income tax.

Tax rates in various cities range from .125 per cent to 1.25 per cent on individual earned incomes, from one half per cent to one per cent on business profits.

That means a local tax bite of up to \$62.50 annually on a \$5,000 salary, up to \$500 annually on business profits of \$50,000.

Significantly, the local income tax hits almost all persons who live or work in cities where it is used. City residents must pay even if their place of employment is outside the city limits. Suburban residents must also pay if they work in the taxing city.

Exceptions to the rule are few. Kentucky cities cannot tax their residents on income earned outside the



While time ran out he used to wait
For shipments that would come too late ...



But now, for speed, he's sure to stress
He wants things sent **RAILWAY EXPRESS!**

The big difference is

Whether you're sending or receiving, whether
your shipment is big or small, and whether it's moving
by rail or air—you'll find it pays to specify
shipment by Railway Express. It makes the big difference
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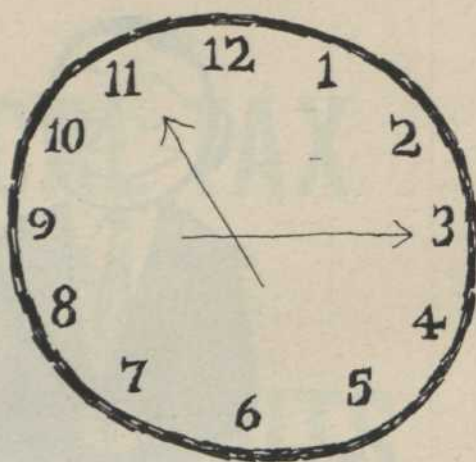


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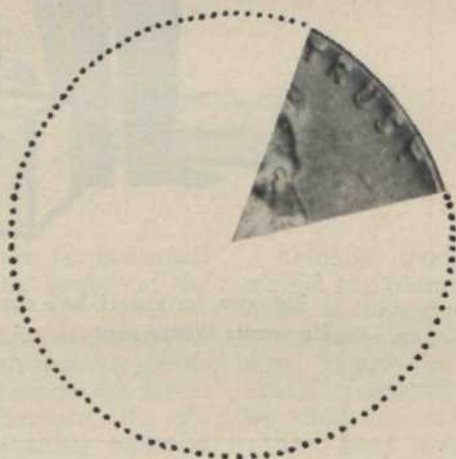


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city. Pennsylvania school districts cannot tax non-residents.

Another exception is Washington, D. C., which imposes the tax on residents, whether income is earned in or outside of the city. Non-residents are not taxed.

Generally, in other places, the only persons who escape paying local income taxes are successful tax-dodgers or suburban residents who work for suburban employers.

Skyrocketing spending of American cities is the key to postwar spread of the local income tax.

Zooming populations, higher wages and prices, a tremendous backlog of public works projects and new problems of urban life are putting an upward pressure on city budgets. The Tax Foundation estimates all local government units spent \$21,501,000,000 last year—about two and a half times the total in 1946, and no ceiling is in sight.

Traditional sources of municipal revenue have failed to keep pace with spending demands. The property tax on real estate and personal possessions was once the mainstay of American local government revenue, accounting for about two thirds of all receipts before World War II. Today, however, it brings in only about 40 per cent of all municipal income, even less in some cities.

In the cities of more than 25,000 population, total expenditures jumped \$4,277,000,000 from 1942 to 1953, according to latest Census Bureau figures. Property taxes increased only \$1,068,000,000 in the same period.

Relative decline of the property tax as a municipal revenue source is partly due to protests of property owners against higher tax rates, and partly due to legal limits to heavier real estate taxation. Thus, cities have had to find new ways to raise money since World War II.

Billions of dollars annually in federal and state aid to local governments helped fill the gap between municipal income and outgo. So did a host of new non-property taxes. One out of seven cities of more than 25,000 population (plus 32 states) has a sales tax. Other cities tax tobacco, hotel room occupancies, restaurant meals, theater admissions, gasoline, liquor and beer, deed transfers and utilities. Parking meters and toll bridges help bring in revenue. There also has been a growing use of tax-exempt municipal bonds to finance needed improvements.

Yet many cities see the local income tax as the most potent answer to the new puzzles of municipal finance. Here's why:

► First, the yield is high, especially during current high-wage years. The

National Tax Association estimates that a one per cent income tax in a community of more than 500,000 population brings \$17.51 per person annually, compared with only \$11.41 per capita from a one per cent sales tax in the same city.

► Second, the tax is probably the easiest major municipal levy to administer. Collection costs are low.

► Third, the tax taps a source of municipal income—the suburban resident—untouched by the property tax.

In every metropolitan area more people use the central city's facilities than live there. More money is spent on police traffic work, expressway construction, street repairs, transit facilities, parking lots, libraries, recreation and other services than would be necessary merely to serve the city's own residents.

A swelling chorus of municipal officials laments that suburbanites who use the central city as a workshop and playfield pay little or nothing toward the cost of these urban facilities.

Like the sales tax, the municipal income tax extends the city's tax bite beyond the city limits. A St. Louis mayor's committee in 1953 called the tax "an effective means of requiring every person who earns his living in the city, regardless of his place of residence, to contribute to the support of the municipal services which he uses regularly."

► Fourth reason for the tax's popularity is its apparent approval by city voters. In elections last year, the tax got a 76 per cent favorable majority in Dayton and an 86 per cent majority in St. Louis.

Suburban residents, although required to pay, have no opportunity to vote on the issue.

City voters usually favor the tax for two big reasons. Reaching into suburban pocketbooks spreads the tax burden among more persons. And it is usually presented as the only alternative to an even more onerous boost in property taxes.

On the other side is the argument that the employee—through his employment—contributes indirectly to the financial support of city services. An active business enterprise pays taxes that the local government would not receive if the business did not exist or was located elsewhere. The employee, whose productivity contributes to increased business activity, is therefore partly responsible for a higher tax take.

In that way he pays something for the cost of municipal services where he works while he also pays taxes for the support of the suburban community where he lives.

(Continued on page 99)

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Although one out of five families will face a bill collector this year, past-due accounts are fewer



By PAUL HENCKE

CONSUMER instalment debt has soared to an all-time high of \$22,500,000,000 but there is little evidence to support fears that any seriously sizable segment of the American buying public will be delinquent in repaying this vast bill.

In fact, the American Collectors Association, Inc., whose 1,884 member agencies service the past due accounts of 250,000 major business and professional offices, report that the debt paying habits of the U. S. consumer are undergoing a change for the better.

The current reading on the ACA's unique "collectibility" index is a healthy 91.5. Last September it was 82.9. Alvin J. Steinberg, ACA president and head of Capital Credit Corporation of Washington, D. C., says the following factors account for the rapid improvement:

1. Employment has picked up markedly in certain areas. (When employment is high delinquency is low.)

2. Debtors seem more concerned about holding their jobs by maintaining good credit ratings.

3. Families show an improved attitude toward budget balancing. (Mismanagement of family funds is one of the biggest causes of delinquency.)

Nevertheless, experience has demonstrated two things: 1, One out of every five American families faces a bill collector each year and, 2, the bill collectors are consistent in their ability to recover at least one third of the dollar volume of the past-due accounts entrusted to them for collection. The amount recovered by ACA member companies last year exceeded \$250,000,000.

"Bill collections constitute a fair-

ly accurate economic barometer," Mr. Steinberg says, "particularly when you consider them on a regional basis. If you had looked at our figures during last year's business readjustment you would have noticed immediately that increases in delinquencies paralleled rises in unemployment.

"Too many workers gear their buying habits to checks fattened by overtime pay. When business dips and overtime is slashed the worker's family finds itself facing a lot of unpaid bills."

This is not to imply that people in the middle and lower income brackets are the only debt delinquents.

Some of the biggest fish in the collector's pond are high-salaried business executives, members of the state and national legislatures, or free-spending highly paid professional athletes.

Individual bills handled may involve a few dollars or thousands.

Nor is it implied that America's credit system is a colossal flop because 10,000,000 citizens owe money to the firms represented by professional bill collectors.

The collectors themselves are the first to dispel this notion.

"Credit buying is bedrock as far as our economic system is concerned," declares Mr. Steinberg. "Credit is being used more widely now than at any time in our history. We estimate that \$315,000,000,000 in business is done on credit annually.

"Credit unquestionably contributes to our expanding economy and the high standard of living which the United States enjoys."

Collection men have been char-

acterized as "the policemen of the credit system" and they don't mind wearing the description. However, they reject any suggestion that they have the toughness and cynicism often associated with real policemen.

"We operate on the assumption that at least 97 per cent of the people we deal with are honest," says Mr. Steinberg. "We believe that poor management, not dishonesty, gets people into financial jams."

The debtors whom the collectors contact—ACA members write 50,000 letters a day and make thousands of telephone calls in the same period—react in varying ways. Many settle their past-due accounts promptly, either in a single cash payment or in accordance with a budget plan suggested by the collection agency. Others balk and pay only after considerable persuasion by the agency, perhaps even threat of a suit to recover the money. A few never pay.

The question of what a businessman should do about the bills which his customers have not paid draws this advice from Mr. Steinberg:

"First make a vigorous effort to collect. This can be accomplished by a courteous, but firm, letter or a telephone call from the manager of your collection department.

"If, however, the bill has not been paid in whole or part after two months it would be wise to turn the account over to a collection agency. Collecting is our business.

"We are specialists in it. We do it well."

There is added reason for not losing time in getting a delinquent account into the hands of an agency. U. S. Department of Commerce sta-

tistics show that the longer a creditor waits before trying to collect, the less chance he has of collecting in full. Average claims drop ten per cent in collectibility in 60 days, 33 per cent in six months, and 55 per cent in a year.

Evidence demonstrates that when a bill goes unpaid for a long time a debtor begins to rationalize his laxity on the ground that the creditor's service was inadequate, or the product was inferior or overpriced.

"If the debtor has reached this stage of thinking," Mr. Steinberg says, "it is really best that a professional collection agency be called in. The agency is an unknown 'third party' to the debtor and he will probably pay it faster than he would a merchant against whom he is nurturing imagined grievances."

Some businessmen hesitate to turn their delinquent accounts over to collectors for fear the customer will be handled roughly and will trade elsewhere in the future.

Actually, there is little chance that this will happen. The majority of present-day bill collectors do not employ the bullyragging tactics which gave their profession a bad name in the past.

"The day of the collector who parked in front of a debtor's house in a car marked 'We Go After Dead Beats' is long past," Mr. Steinberg explains.

The transformation—and it has been considerable—is due largely to the ACA. When the organization was formed 15 years ago, reform was needed in many areas of the collection business. Intimidation of the debtor was not uncommon. Collectors would stalk a delinquent to his office, telephone him in the middle of the night, fill his mailbox with payment demands sealed in gaudy, embarrassingly conspicuous envelopes.

A more serious abuse involved the processing of a creditor's account. Here's what would happen: A department store seeking to collect on the past-due account of a patron who had moved to another city would entrust the collection to an out-of-town agency.

The agency would collect but the creditor would never know it. The collector pocketed the funds and informed the creditor by letter that the delinquent could not be found.

To eliminate such malpractices in a centuries-old profession, collectors banded together to form the ACA. The association's mission has been to improve the ethical standards of the profession, to bond its members in order to cover defalcations, should they occur, and to educate the public to the value and



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importance of a credit record free from flaws.

As part of its educational program, ACA has published thousands of copies of pamphlets which explain the need for maintaining a good credit rating. Copies have been sent to the personnel managers of large firms for distribution to employees; to banks, and to the offices of loan companies and other financial houses. In addition, ACA has made the credit record theme the basis for extensive releases, stories and articles.

ACA member agencies are scattered throughout the United States. There are also members in Canada, Cuba and other foreign countries.

Reliability of the agencies on ACA's forwarding list is demonstrated by the fact that only \$250 had to be paid out last year under the association's bonding plan. The forwarding list has another value: It enables collection men to trace debtors anywhere in the world. In handling the overdue bills of a Washington department store, Mr. Steinberg's own firm has followed debt dodgers to such distant places as Tangier, Morocco, and Bombay, India. Recovered the money, too.

Collectors seldom knock on doors these days. The agencies have learned that they can do their job faster, with greater efficiency and with less damage to the creditor-debtor relationship if they confine contact to telephone calls and mailed notices.

Here's what happens after a list of past due accounts arrives at the typical collection agency:

Each account is transferred to a card. The cards, in turn, are turned over to "unit managers," the people who make verbal contact with the debtor. At Capital Credit Corporation there are ten unit managers. All are men, all have college degrees—most of them in law or business administration. Before these men got their jobs they had to complete successfully an intensive four-hour written examination and six months of training.

The unit men sit at desks which are equipped with a telephone, ear phones, telephone directories and a file of accounts. Most of the men make about 100 telephone contacts a day. At Capital Credit 18,000 outgoing telephone calls are made each month.

Since the telephone contact is the only direct link between the collector and the debtor, it is handled with the utmost care.

In dealing with delinquents the men must speak firmly yet politely. They must be diplomatic and com-

passionate—and quick to perceive a studied intent by a debtor to avoid paying.

"There are two kinds of accounts that we drop as soon as we recognize them for what they are," says Mr. Steinberg. "The man who is in a condition of extreme poverty and the person who obviously is out to defraud our client and never intended to pay his debt. It is useless to try to reason with the second type of individual. You either write him off as a loss or recommend legal action."

Because so many families have become delinquent through poor budgeting, costly illness, or loss of a job, the collector may suggest that repayment be handled in instalments, so that the burden of a single payment can be avoided. Collection men say this sympathetic approach has brought thousands of families out of the financial woods. Debtors have even written letters to collectors, thanking them for advice on how to manage money and avoid overinvolvement.

Most accounts turned over to collectors are cleared up within a few weeks or months. Some accounts, particularly those involving a large amount of money, may require several years to clear up. The collector, as he settles each account, retains a percentage of the amount collected as his commission. In "retail" or professional accounts which are handled against consumers, the fee is usually about one half of the amount involved. The rate is substantially lower for cases in which a wholesaler is attempting to collect from a retailer, or vice versa.

Because there are many part-time bill collectors (justices of the peace, real estate brokers, attorneys) it is difficult to say exactly how many people are in the profession today. ACA believes the figure 6,500 is close.

The Association's members take special pride in being able to settle accounts without alienating the customers. Mr. Steinberg has a story to prove this can be done.

He was in a Washington clothing store one day, talking to the owner, when a man who had been inspecting suits on a rack nearby suddenly approached him, brightened and asked: "Say, aren't you the collection man who contacted me when I owed money to this store?"

Mr. Steinberg, slightly embarrassed, said he was.

"I thought so," was the reply. "Well, you were nice to me when I came into your office about that bill and I'm glad I was able to pay it. I like doing business here."

END

American Credit Insurance

AND

The Case of the Valued Customer

THIS is a case to illustrate the need for American Credit Insurance, even where prior experience seems to indicate no unusual risk. Whether your own business is larger or smaller than the one cited here, the same principle applies.

The policyholder, a manufacturer doing a gross business in excess of 55 million dollars, was covered to a total of some 700 thousand dollars on a general coverage policy. A very old and valued customer, well rated and generally well regarded, desired a higher limit of credit than that provided by the policy on the basis of credit rating alone. Should the policyholder go along with the customer? Little if any risk seemed to threaten. Still . . .

The policyholder's Credit Manager decided to refer the matter to his American Credit representative. As a result, a rider was issued, increasing the coverage to 150 thousand, and raising the total policy amount to 750 thousand dollars. Somewhat later, against all indications, the account had to be filed as a past due item of more than 196 thousand dollars. Despite all appearances, the old and valued customer was actually in trouble, with the policyholder the largest of a whole group of creditors.

As a free service under the policy, American Credit represented the policyholder in a series of meetings with the debtor and his other creditors, and managed to collect \$70,600. This amount was prorated between the total claim and the actual coverage, and the policyholder also received a loss payment of \$86,400.00, with no service charge for the item collected. Thus, through the considered action of its Credit Executive, the policyholder's loss, by reason of this \$157,000 total recovery, was reduced to a nominal figure, and there was no disastrous reduction of his working capital.

Whether you are selling old and valued customers, or constantly expanding into new markets, you will find new assurance in all your dealings when you know that your accounts receivable are as well protected by insurance as your equipment, your goods in process and your inventory. For your copy of a new booklet: "Credit Insurance, Its History and Functions," write Department 41, First National Bank Building, Baltimore 2, Maryland.

American Credit Indemnity Company of New York

AVIATION ASSAULTS THE HEAT BARRIER

SOME planes which have passed Mach 1 shown at right. Speed of still secret Lockheed F-104 said to be 1,500 mph



Makers of ceramics, plastics, metals, electronics, coolants, lubricants, fuels get in the act as planes approach speeds where air friction melts metals and cooling takes more horsepower than was used to drive World War II fighters

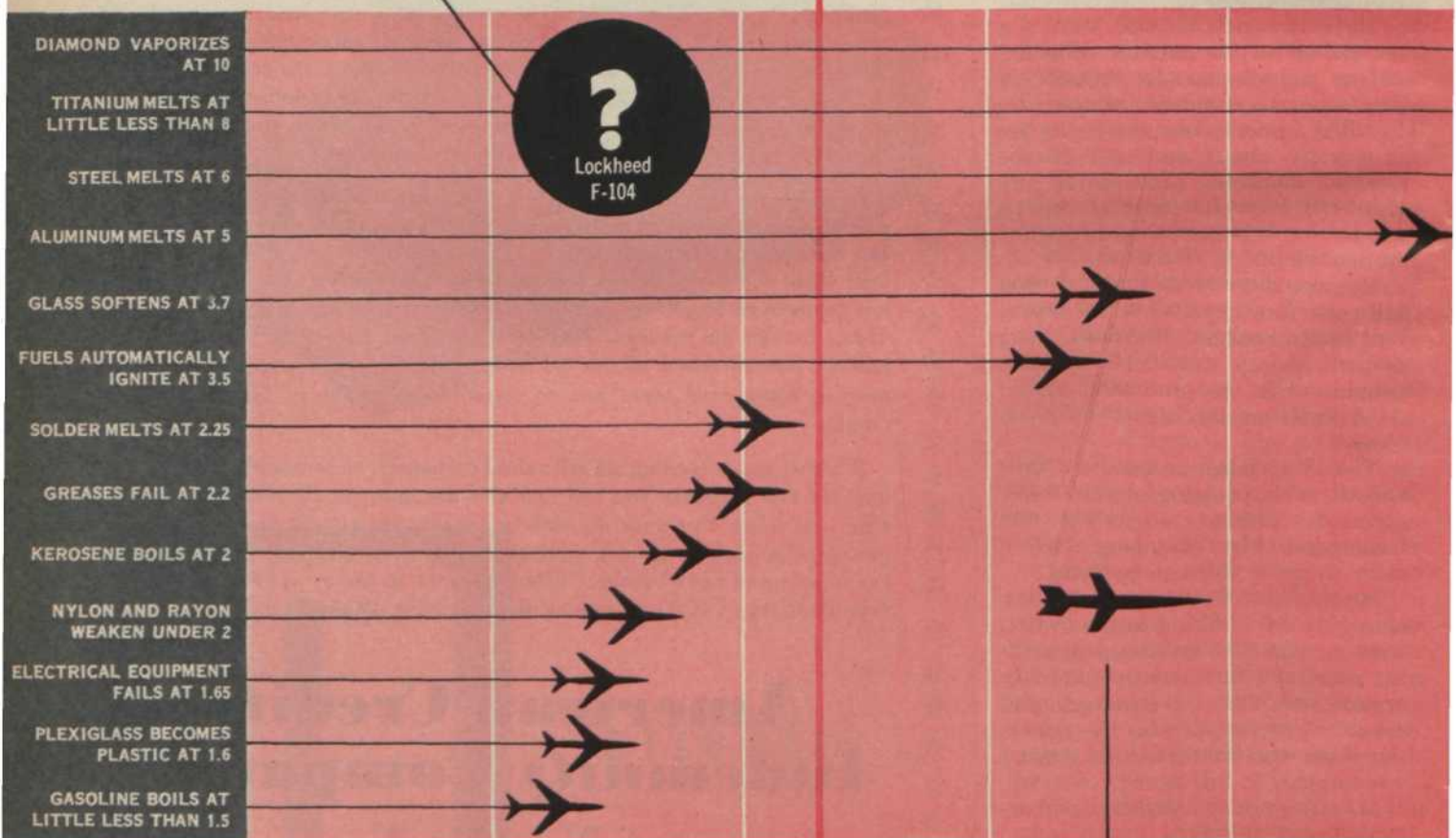
MACH 1
650 mph

MACH 2
1300 mph

MACH 3
1950 mph

MACH 4
2600 mph

MACH 5
3250 mph



All Mach-number speeds on this graph calculated for 35,000 feet

Sound Barrier at Sea Level -760 mph

HEAT BARRIER begins in earnest at 1,500 mph

Plans for Mach 3.5 plane reported complete

By FRANK HARVEY

THE AMERICAN aviation industry has quietly but intensively begun an all-out assault on the so-called heat barrier to supersonic flight—and the chances for American business, large and small, to join in the effort are excellent.

A supersonic research airplane, the Douglas X-3 Stiletto, has been amassing hot-speed data for months. The Stiletto goes so fast it is reliably reported to use 2,600 horsepower (more than the total power of most World War II fighters) just to keep cool. Current production models of USAF and Navy fighters have already moved past Mach 1—760 mph, the speed of sound at sea level—in level flight on power alone. Examples are: North American's Super Sabre, Grumman's Tiger, Convair's 102-A, McDonnell's mammoth single-seater Voodoo, and the still secret Lockheed F-104, reportedly good for 1,500 miles an hour.

The problems of the heat barrier are therefore not wild-blue-yonder

romantics which may develop in the Twenty-fifth Century. They are here now, with all their problems and opportunities in ceramics, metals, refrigeration, fuels, electronics, propulsion, aerodynamics and allied fields. These problems will grow constantly as the heat barrier is deeply probed.

Nobody will ever "get through" the heat barrier. It is a condition of limitless depth, caused by friction of air on airplanes at very high speeds. The faster the flight, the greater the heat. Aluminum melts at Mach 5, steel at Mach 6, titanium and all other known structural materials below Mach 8—and a diamond turns into a puff of vapor at Mach 10—7,600 miles an hour.

Engineers are not at the moment shooting at 7,600 miles an hour—but plans for a Mach 3.5 airplane (2,600 mph) are reported to be already complete.

Why go so fast?

It's first of all a pressing military necessity. It would be dangerous if the communist countries developed a 2,600 mph airplane and we failed to equal or surpass it. The Russians

have built large numbers of rocket fighters and have based them around their industrial complexes.

These rocket fighters go into the stratosphere like skyrockets, conserve fuel up there by gliding, and are capable of high supersonic bursts of speed during their intercept. When our B-47 stratojet bombers first flew, they carried no armament because it was felt that jet fighters could not catch them. The 47's now have guns. They may also shortly have Voodoo fighters for long-range escort. Moral: Resting on the oars is highly dangerous in today's tense world. Hot-speed airplanes are a military must.

Design of supersonic airplanes has already begun to show a "new look." Sweptwings look rakish and speedy, and are fine up to the speed of sound. After you crack the sound wall and go on up to 1,500 mph, however, old-fashioned straight wings come back into fashion. They are built incredibly strong, are very stubby, and very thin. They give low drag, resist thermal deformation, and are designed for sleek lami-

MACH 6
3900 mph

MACH 7
4550 mph

MACH 8
5200 mph

MACH 9
5850 mph

MACH 10
6500 mph



FULL "stagnation temperatures" are assumed in graph. These occur at leading edges of wings and other points where air rams solidly into airplane structure before taking on "laminar flow." Melting, in all cases, would not be instantaneous. Aircraft would have to fly for long time at low altitude. But long before melting took place strength of aircraft's components would be seriously impaired

nar airflow, which keeps them 20 times cooler than burbling airflow. The X-3 Stiletto has stubby straight wings.

So has the Bell X-1, the fuselage of which is an almost exact blowup of the shape of a .50 caliber bullet. The F-104 is reported to have a slim (four-foot diameter) fuselage, stubby, straight wings, and a relatively low-power engine.

High Mach airplanes will be expendable. The old reliable Douglas DC-3's were designed to last 20 years. Hotspeed planes suffer from a weird phenomenon known as "creep." When metals get hot they get soft and wander around like glue in July. The hotter the plane becomes, and the longer it stays hot, the more creeping of surface. You don't get 20 years service out of a high Mach airplane. You may be lucky to get 20 weeks or even 20 hours. Creep deformation, since it is cumulative, sooner or later makes the airplane unsafe to fly.

Creep may create a big new salvage industry where tired planes are melted down, recast, remachined, and re-assembled. The materials used under hotspeed conditions are expensive. Salvage may be worth while and profitable.

Materials, of course, are basic in the heat barrier problem, and the surface has barely been scratched. Current top materials are: Titanium RC-130A; Inconel X; Aluminum 24S-T; 17-7PH steel; Multimet; Haynes Alloy 25 (L-605); and Cobalt alloy steel. Titanium is excellent in tension; Aluminum 24S-T is better in compression and shear; Inconel X, which contains a very high nickel content, retains its strength and corrosion resistance up to 1,800 degrees F. An experimental airplane, totally clad in Inconel X, is reported to be flying at present.

A new internal bracing known as an "all metal honeycomb sandwich," under advanced development by Solar Aircraft Co., San Diego, Calif., seems very promising in producing lightweight, high strength heat resistant airplane components. Foil-thin ribbons are arranged in a honeycomb pattern to comprise the core, which is then sandwiched and fastened securely between the metal skins. The metal skins themselves carry the load.

The honeycomb sandwich is said to be remarkably creep-resistant up to 1,650 degrees F., and if the cell configuration is carefully chosen, a quarter-inch thick core with very thin ribbon metal in the honeycomb can stand a brutal two tons per square inch of compressive stress.

Some variations of the honeycomb sandwich are: the "porous skin

sandwich" (one or both sides of the sandwich are perforated so cooling water can flow through them), and the "fluid-cooled sandwich" (it has solid outer skins but a maze of inside channels through which water can flow).

Metals with thick cross sections tend to fracture under the savage internal stresses set up when the outside of a piece of metal gets very hot while the interior remains cool. The solution lies in using a metal with a low coefficient of expansion—engineering language which means the metal can be heated without expanding or contracting much. Nickel, when added to steel in the proper proportions, reduces the coefficient of expansion to almost nothing. An alloy with 43.5 per cent nickel has a coefficient of expansion half that of steel, and retains this property up to 800 degrees F.

A metal called Invar has a coefficient of expansion 1/30th of steel, and is effective to 500 degrees F.

F. R. Steinbacher and Louis Young, engineers for Structures Re-

It has been dinned into us that this is the Century of the Common Man.

Thus we are in danger of developing a cult of the Common Man, which means a cult of mediocrity.

—Herbert Hoover

search and Development and Lockheed Aircraft Company, respectively, say in a joint study, "The development of low-expansion alloys might well make the difference between a practical aircraft and a structure too heavy to fly. At present no other metallurgical contribution to high-speed flight appears to offer greater promise or is more within the realm of possibility."

Keeping pilots, passengers and various systems (hydraulic, electrical, fuel, oil, electronics) cool in high Mach flight is, of course, absolutely necessary. This isn't much of a problem in sub-Mach airplanes. A subsonic airplane cools itself by giving off heat to the surrounding air. The engineers call the surrounding air a "heat sink," a sort of convenient drain down which they pour excess heat. As the airplane passes 1,500 mph, however, the air changes from a heat sink into a hot water faucet—and starts pouring heat back into the airplane.

One way to handle the matter is to duck the heat by flying high, in the thin upper air, and holding a high speed for a very short time,

thus not giving friction a chance to heat the airplane. Above 100,000 feet, however, air breathing turbojets and ramjets begin to lose power from oxygen starvation. Rockets are then the only practical means of propulsion, since they do not depend on outside atmosphere for power. Rockets offer terrific power in a small package. The old German V-2, for example, delivered a half million horsepower from a dinky half-ton motor. Lt. Gen. D. L. Putt, USAF, writes, "... the question is not whether rocket engines will take the place of reciprocating and turbojet engines, but when."

To help in cooling high-Mach airplanes, engineers add powerful multistage coolers such as are used in the X-3 Stiletto, insulate where possible, pressurize the fuel tanks to avoid undue loss due to vaporization, and then use the fuel supply itself as a heat sink. They soak up large amounts of heat in the fuel, then burn the fuel and get rid of it—very neat, as long as you don't flash your fuel and come apart in midair, or superheat and get vaporlock.

Needed is some new material which will have the insulating power of Fiberglas, and still be able to stand up against the savage winds and pressures of high Mach flight when used as an insulating envelope around the outside of the airplane. Insulation is almost incredibly effective at high speeds. An airplane flying 3,000 mph at 20,000 feet, with no insulation, will jump to 1,250 degrees F. in just 60 seconds. That same airplane, insulated with the equivalent of one inch of glass fiber, can fly from Wichita to New York City in 25 minutes without heating above 500 degrees F. Cooling systems now available can reduce the entire 500 degrees F.—so it's easy to see that the fellow who invents a better insulation stands a chance to make \$1,000,000, even after taxes.

There are two kinds of airplane parts: "passive" and "active." The structure, skin, etc. are passive. The engine, electronics, etc. are active. Naturally the engine gets extremely hot without help from air friction. A ramjet engine—essentially a flying stovepipe with a minimum of moving parts—would be the best for hotspeed flight, but a ramjet wastes fuel, is hard to control, and won't even start running until air is crammed into its intake at virtually the speed of sound.

Rockets are fine for getting an airplane up to high speeds in a hurry, but rocket motors have only a few minutes before their fuel supply is gone—and a high-Mach airplane, with its great weight, stubby wings, and fantastically high landing

speed, is no airplane with which to make a landing without power.

The powerplant for high-Mach jets for the near future at least will probably be the turbojet. There is no point in trying to describe the working of a turbojet other than to say that the rotors in the compressor and turbine turn at very high speeds and if one tiny blade of the 1,000 blades in a single compressor wheel should break—the plane and passengers can be instantly killed. A turbojet engine gets very hot with no help from air friction. Cram in hypersonic ram air, and the situation gets dangerous.

A. J. Gardner, an engineer at the USAF's Wright-Patterson Field, sums it up like this: "A sea-level compressor operating at a flight speed of Mach 1 above 35,000 feet will receive air with a total temperature of about 60 degrees F., and discharge the air with a total temperature of about 500 degrees F. These temperatures represent no problem in terms of today's designs. However, the same engine operating at Mach 2.8 receives air at about 650 degrees F., and discharges it at about 1,100 degrees F.

"These temperatures represent a definite problem."

Cooling of turbine wheels by passing gas or liquid through internal passages is being tried; certain engine accessories are being moved out of the hot zones; and an intensive study of blade design, ceramic material, and lubricants and coolants for turbojet engines at hot speeds is being made.

In peaceful transport airplanes it may be possible to duck the heat barrier by flying high for short periods, but the military picture is different. If a raid of communist bombers is headed for the United States, it would be most embarrassing to find that the speed-time-altitude combination necessary to make the intercept would place the interceptor at the point of contact glowing like a neon bulb, with guns melted shut, rockets exploded by heatsoak, and the pilot fried to a delicate toasty brown.

Military airplanes should, if possible, be built to fly redhot if need be, without hurting the systems or the pilot. Meteors come through the earth's atmosphere at extreme speeds, melt off a layer, and hit the ground without undue heating or stressing of the relatively cool inner structure. Long-range guided missiles may be coated with a special skin which melts off in high speed flight, and protects the shape and the internal structure of the missile. Creep is a big headache except in one respect: When a surface gets hot

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This nation has historically and successfully relied on free competition as the best method of providing abundance at reasonable prices. Americans have come to view peacetime price-fixing and controls as necessary only where there is an exclusive franchise. Now Federal plans to regulate natural gas producers raise basic questions. Here the Natural Gas and Oil Resources Committee, an organization of small and large producers and others concerned about the issue, tells why it believes a dangerous precedent is being set.

Competition vs. Controls

A Basic American Issue as Seen by The Natural Gas and Oil Resources Committee

THERE IS a major issue facing us all. It concerns a new interpretation of Federal laws that imposes controls on all natural gas producers who sell to interstate pipelines.

This means that for the first time in peacetime history there will be Federal price-fixing of a consumer commodity at the source.

Supporters of such regulation argue with sincerity that it will somehow benefit the consumer. They imply that ownership of gas wells is so concentrated that regulation is called for.

Opponents argue with equal sincerity that free competition among more than 8,000 gas producers is clearly the best way to regulate prices and assure adequate gas supplies for consumers. The Federal Power Commission, which is charged with imposing the controls, is opposed to such regulation.

The Natural Gas and Oil Resources Committee, and many others who have examined the issue, believe that the proposal to substitute Federal controls for free competition will ultimately hurt the consumer, will spread harmful effects to other industries and will *benefit no one*. They believe that if the American people understand the issue the people will reach the same conclusion.

Here are key questions on which thinking Americans will want to base their conclusions:

What is meant by "Federal Regulation" of the Producer?

THE FEDERAL POWER COMMISSION now has been ordered to fix the prices received by all the competing producers for gas sold to interstate pipelines that transport gas for sale in other states.

It also means that prices established in long-existing contracts between producers and pipeliners were frozen at June 7, 1954, levels, and that any contract agreements for changes in these prices are no longer valid.

What brought about this Federal Price-Fixing?

IN JUNE of 1954, Federal price control was brought on by a new interpretation of a 1938 law. Congress intended that this law regulate the interstate pipelines which carry gas from producing areas into consuming areas. It specifically exempted "production and gathering" of natural gas. But the language of the law did not clearly reflect this intent of Congress, and last year a 5-to-3 majority of the Supreme Court reinterpreted it to mean that producers were subject to Federal control.

Many authorities do not agree with this interpretation. For example, Mr. Justice William O. Douglas, in his dissenting opinion, stated:

"Regulating the price at which the *independent producer* can sell his gas regulates his business in the most vital way any business can be regulated. That regulation largely nullifies the exemption granted by Congress."

How do we get Natural Gas?

THERE ARE 31 states in which natural gas is produced, but five southwestern states produce 85 per cent of it.

The job of getting gas from the underground reserves to the 27,000,000 consumers in 43 states falls to three separate groups: the producers who get it out of the ground, the pipeline operators who transport it to market, and the distributing companies—local public utilities—who deliver it to the ultimate consumer. Producer sells to pipeline, pipeline to distributor, and distributor to consumer. There are more than 8,000 producers, more than 100 interstate pipeline companies, and 1,200 local public utility gas companies.

Hasn't the Gas Industry always been Regulated?

GAS DISTRIBUTION, yes. The local gas company is a public utility and, because it receives an exclusive franchise, its rates have long been regulated by a local regulatory body. Similarly, the interstate pipeline companies have been regulated by the Federal Power Commission—for they are usually sole suppliers to the gas utilities.

But there are no exclusive franchises in *finding* gas. Thousands compete keenly to find it and to sell it.

Do only a few Big Companies produce Gas?

No. No single company produces as much as 5 per cent. The more than 8,000 producers compete vigorously. Often a single pipeline negotiates for the gas of as many as 500 producers and ends up buying from as many as 200.

Will Price Controls on production reduce household gas bills?

HARDLY. On a national average only about 10 per cent of the household bill goes to the producer who finds the gas and sells it. That is the producer's total share, not his profit. If the producer *gave* his gas away, the average household consumer would save less than 2 cents a day.

How did the Consumer fare before Controls?

FROM 1945 to mid-1954, the cost of living rose 49.7 per cent while the cost of gas to the household consumer rose only a nation-wide average of 12 per cent.

Do we have Adequate Supplies of Natural Gas?

VIGOROUS exploration by producers has added to our proved, recoverable reserves every year. Even so, reserves have increased by only one-third in a ten-year period when demand has doubled.

Is there a Financial "Risk" in producing Gas?

YES. Despite the most advanced scientific studies, exploratory wells have no assurance of success. In fact, over a period of years, producers have drilled eight wildcat exploratory wells that yielded nothing for each one that was successful. Each well averages approximately \$100,000 in cost; some \$1,000,000 and more.

The penalty for a bad guess is increasing steadily, because most of the known potential gas-bearing structures near the surface have already been explored and new wells must be deeper, hence more expensive. These risks are taken in anticipation of the reward to be gained from the successful wells.

How can Federal Controls and Price-Fixing affect Gas Supplies?

THEY REDUCE the incentive for exploration because they affect the possible reward and subject the producer to countless forms, applications, hearings and suits. This, in turn, could well lead to a marked reduction in new discoveries. And normally when supplies decline, prices rise.

How can the Government fairly fix rates for Natural Gas Producers?

IT CAN'T. What size bureaucracy supported at public expense, or how skilled a group of absentee regulators could handle the job fairly? Regulation of more than 8,000 producers, facing an even greater number of separate production problems, requires almost individual consideration of every well they drill. One producer may bring in gas with one \$100,000 well. Another may spend \$2,000,000 and get nothing. A third may find both oil and gas.

A fourth may be successful in one area, and unsuccessful in another.

The result of an attempt to fix prices in a situation like this is bound to be indescribable confusion and delay.

The real question is: Why Federal regulation in the first place?

How would Federal Regulation affect Conservation of Natural Gas?

FEDERAL regulation can only interfere with the excellent conservation job now being done by the individual states because the purposes of the two are entirely different. The state's interest is in regulating the rate of oil and gas production to conserve the energies of the underground pool, so that the maximum amount of these resources may eventually be recovered.

At any point the producer may face a state conservation measure which tells him to do one thing and a Federal order which tells him to do the opposite.

Will Gas Control work when competing fuels are Free?

THE OPA LEARNED from experience that control of anything was an impossibility *unless competing products were equally controlled*. With fuel oil and coal free at the producing source, it is both unfair and unsound to price-fix natural gas at its source.

Would other dangers arise from Federal Regulation of Gas Production?

SINCE GAS is produced in so many cases with oil, regulation of one can lead to regulation of the other. Where next would regulation extend? Would it not extend to another competitor, coal—and then perhaps to lumber, mining, farm products—anything that is produced?

Where does the Public Interest lie?

OUR POLITICAL freedom has depended on men and ideas competing for selection by a people free to choose at the ballot box. Our economic system has been based on the same kind of free competition among products and services offered to a people free to choose. The public interest lies in this freedom to compete.

The issue goes far beyond natural gas. It goes to the very roots of America's greatness.

What is the position of the Federal Power Commission?

THE FEDERAL POWER COMMISSION has eleven times refused to impose price-fixing on the producers of natural gas. On March 22, 1955, Jerome K. Kuykendall, Federal Power Commission Chairman, said, "we believe that no sound fuel policy can be erected upon such discrimination as presently exists against natural gas and in favor of other competitive fuels." He further said the Commission believes that "from every aspect of public interest and particularly that of national defense, that Congress should not single out natural gas as the only one among those fuels over which an artificial ceiling should be placed."

***Protect the Public Interest
Through Free Competition***

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HEAT BARRIER

continued

and creeps, the internal thermal strains instantly go down. Meltable skins may work well in missiles.

Their application to current airplane configurations looks highly problematical.

The revolution in high-Mach flight will come in the shift in basic airplane material. Engineers Steinbacher and Young say, “At present, aluminum alloy is the backbone of the aviation industry. Relatively speaking, practically all design information and production facilities are geared to its use. A change to a new material means that much of the data, experience, background and contacts accumulated during 20 years will become useless and the accumulation of design data, production know-how, the acquisition of shop equipment and the training of personnel will have to start anew. A new material will lead to new vendors and subcontractors, changes in purchasing and inspection.”

Nobody yet knows what metals will build future airplanes. Titanium, currently produced in small quantities at high cost, seems to be the leading contender. Titanium is light, strong, corrosion-resistant, and stands up to heat.

However, the progress in metals, alloys and ceramics is taking giant steps now that the heat barrier problem is growing in urgency. Inconel X, for example, is good to 1,800 degrees F.—while titanium begins to get seriously weak at only 800 degrees F. It is important to standardize on the right material. If the industry tooled up, organized, and invested around the wrong material, the whole costly, time-consuming process would have to be repeated. If Russia, on the other hand, chose right they would be far ahead of us, and we might not get a chance to close the gap.

Temperatures above 2,000 degrees F. render alloys almost useless because the ingredients which gave them strength, corrosion resistance, heat resistance, and so on, either precipitate out at 2,000 degrees F. or unite chemically with other elements so that the whole structure is changed. Protective coatings are limited in utility. Most paints and nylon-type plastic coatings lose their effectiveness at 300 degrees F. Cadmium platings for steel cease to be effective at 500 degrees F. Most promising at this time are refractory ceramics: particularly oxides of aluminum, magnesium, silicon and zirconium. These oxides have al-

ready reacted to the limit with oxygen (which is why they are called oxides) and cannot be further attacked by oxygen. They can stand corrosion and do not weaken appreciably up to their melting point of 5,000 degrees F. Structurally, however, ceramics aren't too good.

In case anyone is interested in developing or adapting materials to hot-speed flight, the following problems bear looking into:

Gasoline boils in the stratosphere at a little less than Mach 1.5. Plexiglass, used extensively in bubble canopies, becomes plastic at Mach 1.6. Unless adequately cooled, engine electrical components begin to fail at Mach 1.65. Nylon and rayon lose their strength under Mach 2. Kerosene boils at Mach 2. Solder melts at Mach 2.25. Greases fail at Mach 2.2. Fuels automatically ignite at Mach 3.5, and at Mach 3.7 glass softens.

All these materials, if improved, offer chances for new business ventures. For example, one outfit is testing air, graphite, and molybdenum disulfide, in main bearings—instead of oil. Westinghouse Electric Corporation's Dr. Gordon Gainer, by altering the molecular structure of silicone oil, developed a very promising lubricant which stood up to 107,000 pounds per square inch of pressure before bearings “seized.” This was four to eight times better than the performance of most ordinary lubricants. Thermal stability tests made with the new fluid ranged from minus 65 degrees F. to plus 500 degrees F.

Silicone “foams,” sandwiched between metal sheets or silicone-glass laminates, made strong, heat resistant structures. Dow Corning Corporation, makers of “foamed structures,” say they have properties which may be useful as insulating material for electrical units operating in high temperatures, as well as straight thermal insulation. Silicone foams are nonflammable, low in density, buoyant after long exposure to water, and have superior strength under compression up to 700 degrees F.

The engine itself is open to great improvement. As things now stand, the engine and fuel necessary to reach high-Mach speeds comprise the major part of the total weight of the airplane, leaving little room for payload. At 300 mph the engine and fuel take up 20 per cent of the airplane's weight. A 900-mph airplane must devote 65 per cent of its total weight to engine and fuel. And 900 miles an hour is outside the heat barrier beginning at 1,500 mph.

The field for aerodynamic designers is promising. Design becomes

very important as speeds climb. If the airflow over the surface of the airplane can be held to the laminar condition (a smooth, sleek envelope) the airplane heats up 20 times less drastically than when the airflow is allowed to burble and become turbulent.

Much research in highspeed high-altitude medicine is needed. For example, if an airplane climbed at Mach 5 from sea level to the stratosphere—and if the pilot held his breath—he would die from air embolism—the air suddenly expanding inside his lungs and rupturing them on the climb.

High altitude bends are common at present—to a fairly serious degree—among pilots. Explosive decompression, the sudden loss of cabin pressurization at high altitudes, can kill a pilot not protected by a special emergency suit. Blood boils above 63,000 feet without pressurization; the body inflates like a tire; death is almost instantaneous.

The human body seems able to take a great deal of heat, however, without loss of consciousness or lasting injury. Air Force tests at the University of California proved that, under conditions of low humidity, temperatures of 160 degrees F. could be tolerated for more than an hour; 240 degrees F.—28 degrees hotter than boiling water—was successfully withstood by human test volunteers for 23 minutes.

Nuclear-powered airplanes which can stay up indefinitely and fly at tremendous speeds are currently shrouded in complete secrecy, but we may be sure the United States government, through its agency, the National Advisory Committee for Aeronautics, is working on atomic-powered airplanes. These planes will be the forerunners of space satellites—and will be of decisive military significance. The American businessmen who get in on the ground floor, by starting now to study hot speed problems, may rise one bright morning and find a booming readymade market for their pains, when nuclear planes are unveiled.

How soon will hot speed planes be a reality? High-Mach flight is on top of the USAF's priority list. The best brains—backed by billions of dollars—are working steadily on the problem. The designs, fuels, power plant, systems, coolants and the other materials to build a Mach 3.5 airplane are reliably reported to be on hand at this moment. It is possible—although not probable—that a Mach 3.5 airplane is sitting inside a secret USAF hanger at Edwards Air Force Base right now. **END**

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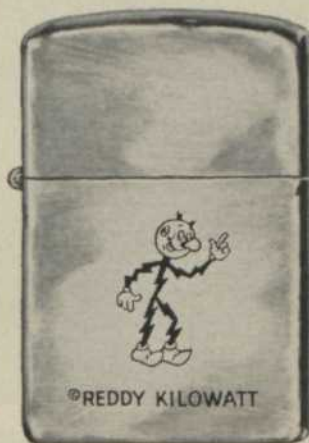
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THE COMING BOOM

Preview of 1960

A report on the future business prospects of America, based on a five-year study by the Twentieth Century Fund

THIS STUDY of our economic system, what it has accomplished in the past and its prospects for the future, is based on "America's Needs and Resources: a New Survey," sponsored by the Twentieth Century Fund. The Fund is a foundation for research and public education on economic and social questions.

An expert group of 27 contributors, headed by Dr. J. Frederic Dewhurst, executive director of the Fund, and Thomas C. Fichandler, associate research director, spent five years in compiling the survey.

The new study is an extension of an earlier work started in 1942 and completed in 1947. The original survey has become a useful source of authorita-

tive figures on the American economic system in action and has stimulated the trend toward making long-range projections of possible future levels of operations. It has also played an important role in making Americans aware of the concept of productivity and its importance in increasing economic well-being.

The current study is the most comprehensive ever undertaken by the Twentieth Century Fund. In it the researchers have undertaken not only to chart the future course of American enterprise in almost every line but to determine how closely actual accomplishment will meet future needs. Need, in each case, represents the researcher's own judgment as to what would be ideal in his field.

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EDWARD BURKS
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Preview of 1960:

more goods,

Consumer demands and technological progress make the business outlook into 1960 optimistic.

Our population is growing by 2,500,000 a year, creating an annual demand for equipment for 800,000 new households.

Income per capita and per household is steadily rising. Consumers, having reduced old debts, have more of their income to spend. The demand for nondurable goods, like textiles, is due to pick up. Business can, and will, reduce costs to stimulate demand. New materials and new products are also creating new demand.

Technical progress and increasing competition are forcing a continuous change and improvement in producers' equipment.

The assumption is for a substantial increase in the number of employed, a small increase in the number of unemployed, a shorter work week, and steadily increasing productivity, so that our national output will expand by one third in the current decade.

Should these trends in private spending fail to come through, then the government is committed, as never before, to take all necessary measures to prevent a serious or prolonged setback.

The trends indicate, however, that any recession we may have been feeling recently will soon swing into another period of prosperity.

Since 1940, the U.S.A. has been riding a boom. Certainly the boom sagged a bit in 1945, in 1949 and again in 1954, but indications are for a renewed burst of speed ahead.

Unique in our history, the decade and a half of high-level prosperity has been fed by three distinct, successive boomlets.

First, between 1940 and 1945, we made a tremendous productive effort in preparing for and winning World War II. Next, between 1945 and 1949, we converted and taxed our productive resources to catch up with the war-deferred demand for consumer goods. Then, between 1949 and 1954, we went into wartime production again to counter the invasion of South Korea and for a defense buildup for the cold war.

The World War II production performance which launched our modern era of prosperity dramatically demonstrated what our economy was capable of turning out when put to the test.

Just look at some 1944 production figures: 10,700 pieces of artillery; 17,500 tanks, 30,900 ships, 96,400 planes, 152,000 aircraft rocket launchers, 215,100 bazookas, 595,300 Army trucks, 1,416,800 tons of ground artillery ammunition.

In 1944, our output of arms and ammunition was more than half as much again as all the Axis nations were producing.

Meanwhile, our civilian population suffered relatively little for lack of goods. It is true that some few durable goods, like automobiles, could not be replaced once they wore out. All in all, however, the civilians continued to be well supplied with most of life's necessities and many of its luxuries. For example, in 1944,

civilian food consumption was the highest—and nutritionwise, the best—in our history, although approximately one fourth of our food output went to the armed forces and our allies.

The over-all war statistics are equally impressive. Between 1940 and 1945, American production of goods and services climbed more than 50 per cent in physical volume, more than 100 per cent in dollar volume. It was a good showing, but we actually could have done better, if military necessity had required.

At the height of our war production, in 1944, we were devoting only 40 per cent of our national output to armaments. We could have increased that proportion simply by cutting down our civilian production and consumption.

Between 1940 and 1944, we increased our labor force by 36 per cent, our work day by 5.5 per cent; we could have lifted both, if needed.

As it was, by adding 8,000,000 civilians to the labor force during World War II, by increasing the work-week from 43.8 to 46.2 hours, by increasing productivity three to four per cent, we increased total take-home pay enormously. Under the pressure of demand, prices rose 34 per cent. As a result, the wartime boomlet mushroomed from a national output (gross national product) of \$102,000,000,000 (\$207,600,000,000 in 1954 dollars) in 1940 to \$214,000,000,000 in 1944.

A slight recession set in with the close of World War II as industry sought to convert to full-speed peacetime production. Virtually overnight, the government's wartime spending dropped from an annual rate of \$90,000,000,000 to \$16,000,000,000. Severe depression was expected, and, as late as August, 1945, the Director of War Mobilization and Reconversion grimly predicted that unemployment would reach 8,000,000 by spring.

Actually, the return to normalcy was accomplished without advance planning, without government intervention, and without confusion or distress.

Here's what happened: Some 6,000,000 war-emergency workers quit the labor force to return to home or school. Industry rushed through conversion and quickly began to produce to meet the huge demand for consumer goods. After the fighting stopped, wartime controls were removed, permitting an inflationary explosion, which, while reducing the dollar's purchasing power, provided a powerful stimulus to production and employment.

An unprecedented postwar outlay for veterans' benefits—for housing, schooling, unemployment, hospitalization, compensation and pensions—added fuel to the new fire. Consumers rushed out to spend their war-accumulated savings, to spend more of their income, and to borrow more for purchases.

With the war over, marriages jumped; so did births; so did the demand for housing, furnishings, furniture, appliances, autos, etc. New materials, developed during the war, were brought out to compete with older products and to develop new uses—among them synthetic rubber, synthetic fibers, plastics, powdered met-

more jobs, richer customers

als, uranium by-products, miracle drugs, insecticides, detergents, paints, television sets and other electronic devices, home freezers, and air conditioners. Even as domestic demand increased, so did the demand for American goods overseas.

In addition, new materials, new machinery, new automatic equipment, new electronic controls improved productivity.

A brief recession came in 1949, but then the Korean War broke out bringing a spurt in national output which attained new record heights, up to a crest of \$371,000,000,000 in 1953.

The third boomlet ran its course by mid-1954. The military establishment was taking a smaller share of the national product; unemployment rose from 1,500,000 in the spring of 1953 to 3,500,000 in the spring of 1954.

Today prospects are looking up.

Over the decade a 29 per cent rise is foreseen in the gross national product—the total output of goods and services of the United States as reflected in consumer

expenditures, capital investment, government spending, foreign trade and business inventory.

As against the 1950 national output level of \$286,800,000,000, the 1960 gross national product is expected to be \$370,000,000,000 in terms of 1950 dollars (or \$413,500,000,000 in terms of 1954 dollars).

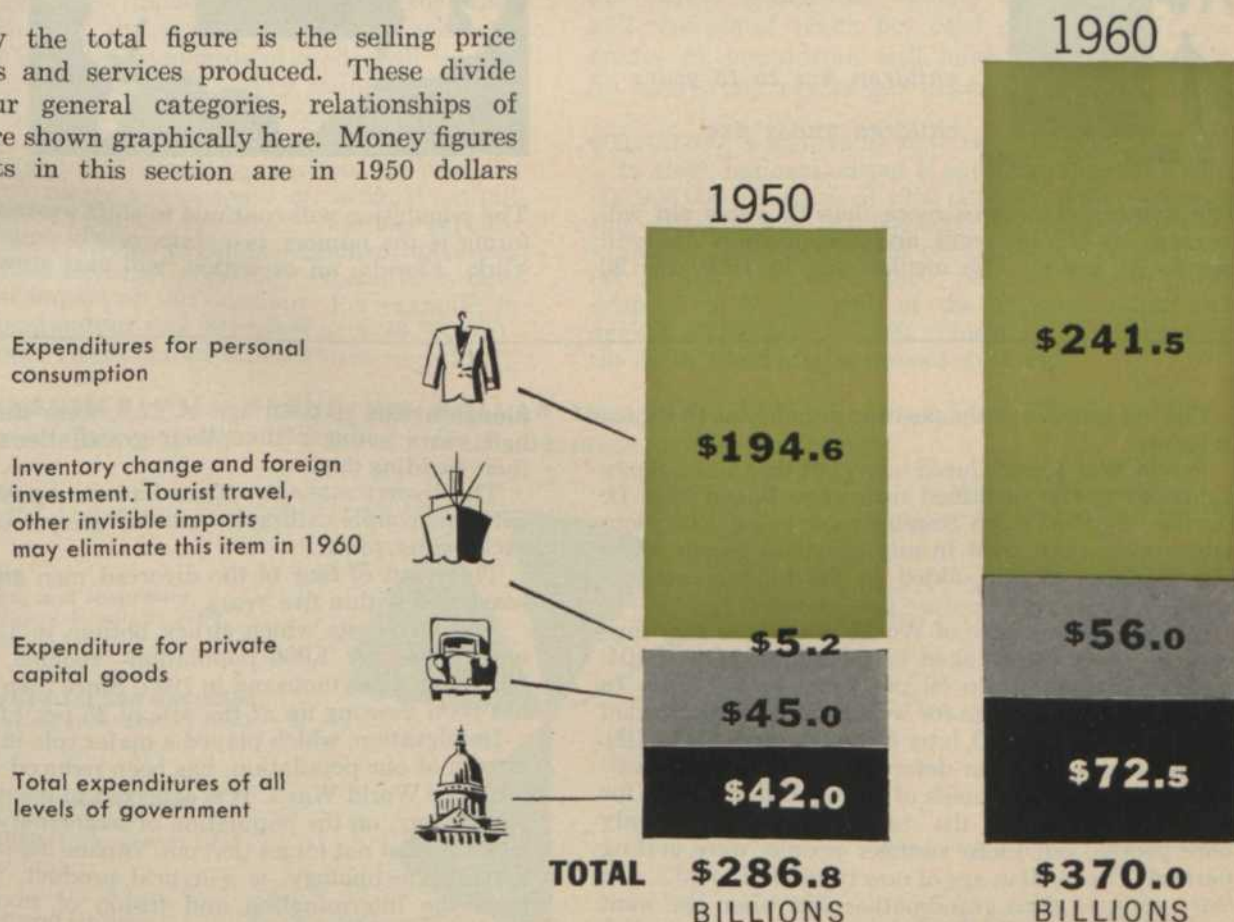
With population estimated as increasing only 16 per cent over the ten-year period, and the labor force believed to be going up by only 12 per cent, there will be an increase in the amount of goods available per capita and a substantially larger output per worker.

In 1950, it is calculated that there was a gap of 17 per cent between demand and actual expenditures for goods and services, as against need for expenditures to meet requirements of adequacy. Indications are that this deficiency between demand and need will be reduced to but seven per cent in 1960, mainly because of increased federal spending for defense.

There appears to be no doubt that the United States has the agricultural capacity, raw materials, productive capacity, labor and technology to meet not only the demand and needs for goods and services in 1960, but, if necessary, considerably more.

What is Gross National Product?

Basically the total figure is the selling price of goods and services produced. These divide into four general categories, relationships of which are shown graphically here. Money figures in charts in this section are in 1950 dollars



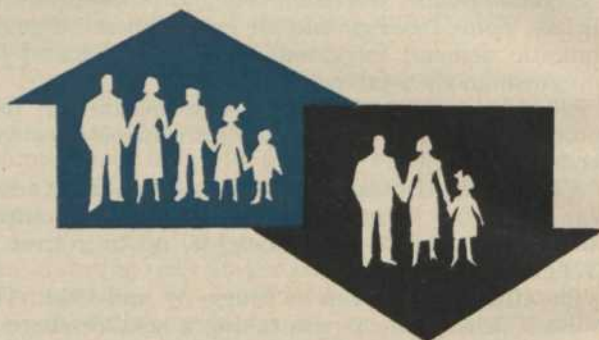
People: more of them—but older

In 1960, indications are our population will number 177,000,000 consumers, an increase of 24,500,000 for the decade.

The outlook for 1960, as compared to 1950, also points to:



The marriage rate will continue to slow down as it has since reaching its all-time peak in 1946 when women 17 to 29 married at the rate of 148 per 1,000

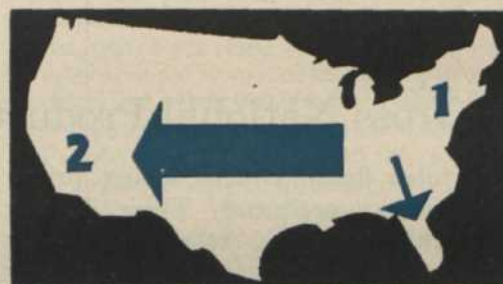


The typical family will have two or three children born fairly close together and early in marriage. Large families and one-child families will decrease in numbers



People more than 65
working group, 15 to 65
children five to 15 years
children under five

The number of persons more than 65 years old will increase by 27 per cent and the median age will rise to 31 years. The median age in 1900 was 23



The population will continue to shift westward. California is the number two state, nearly equaling New York. Florida, an exception, will also grow

The big surprise of the postwar decade was the boom in babies.

World War I kept Cupid busy, but that was a flurry compared to the sustained rush after World War II. During 1940-50, more couples took vows, and more babies were born than in any previous decade. The high remarriage rate added to the bumper crop of babies.

In 1920, in the wake of World War I, the marriage rate per 1,000 women aged 17 to 29 hit a high of 104, plunging downward to 89 per 1,000 in the '30's. In 1946, the marrying rate for women in this age bracket soared to 148 per 1,000, later dropping off to about 100.

The stockpile of war-deferred marriages, the post-war boom, and the benefits of the GI Bill of Rights for veterans, encouraged the marital parade. Not only more people, but more younger people, were getting married. The median age of new brides fell to 20.3, two years younger than grandmother was when she went to the altar in 1890. Bridegrooms making their first

plunge at the median age of 22.7, were three-and-a-half years younger than their grandfathers were on their wedding day.

The divorce rate also attained a record peak in 1946, with one couple calling it quits for every four couples exchanging vows.

Three out of four of the divorced men and women remarried within five years.

The birth rate which struck bottom in 1933—18.4 new babies per 1,000 population—zoomed to a new high of 26.6 per thousand in 1947. Since then the stork has been showing up at the rate of 25 per 1,000.

Immigration, which played a major role in the early growth of our population, has been reduced to a dribble since World War I. It is expected to have little impact, if any, on the population of tomorrow. Nonetheless, we must not forget that our Yankee ingenuity, our dynamic technology, is a hybrid product, stemming from the intermingling and fusion of many racial strains and national cultures.

Consumer market:

\$241,000,000,000 big

Per capita income, at \$1,490 in 1950, is expected to reach \$1,590 in 1960, with household income simultaneously rising from \$5,210 to \$5,530. Over the same period, the members of the average household will increase their ability to spend from just under \$400 a month to well over that figure.

In the aggregate, Americans are expected to accumulate a personal income of \$282,000,000,000 (in 1950 dollars) by the end of this decade. After tax deductions, this will leave the consuming public with \$255,000,000,000 in disposable income in 1950 dollars (\$285,500,000,000 in 1954 dollars) as against \$206,000,000,000 in 1950.

If these income goals are attained, the customer of 1960 will have an over-all purchasing power for goods and services nearly one-fourth larger—in terms of 1950 dollars—than in prosperous 1950.

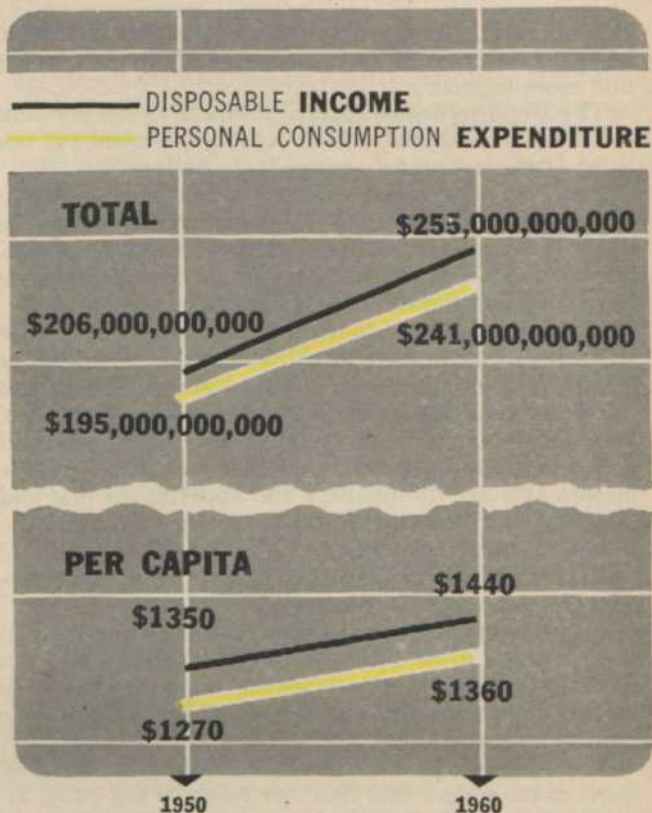
The trends indicate that the urban market will continue to be a far more important consumer of goods and services than the rural market because money incomes there are higher. The richest consumer market of the future, even more than today, will be the urban market of the middle and upper income families.

The American consumer, on the whole, was better off in 1950 than in any previous year. But 1960 promises to be even better, with per capita expenditures rising by seven per cent, from \$1,270 to \$1,360 a year.

Even at these high levels of prosperity, there will be in 1960, as in 1950, some consumers whose living standards do not attain a minimum level of health and decency, because of inadequate income or for other reasons. However, the gap between demand and need—based on arbitrary standards of need—will become increasingly narrowed. The survey estimates that, as against a six per cent difference between actual expenditures and cost of estimated needs for consumers in 1950, the gap in 1960 will be only four per cent.

The three major components of national output (gross national product) are direct consumer expenditures, capital goods outlay, and government spending.

Of the three elements, consumer expenditures have the greatest impact on our economy. For example, in 1950, national output was estimated at \$286,800,000,000. Personal consumption expenditures were \$194,-



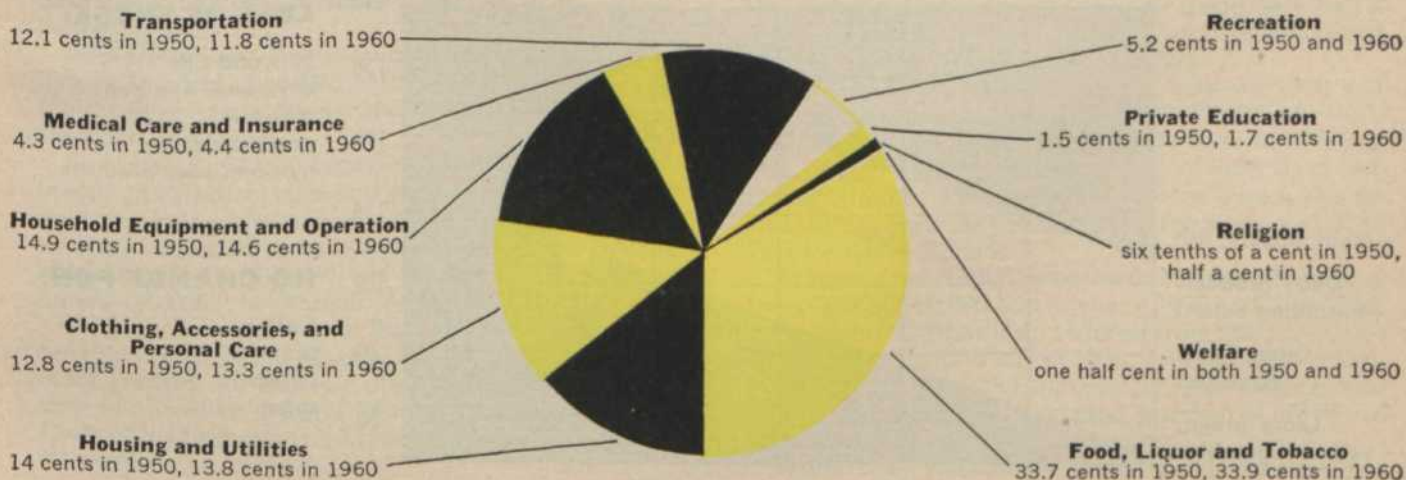
Per capita disposable income and expenditures will rise about seven per cent in 1960, while increase in population will boost national figures by approximately 24 per cent

600,000,000, a little more than two thirds of the total.

In 1960, national output is expected to reach \$370,000,000,000 (in terms of 1950 dollars), with consumption outlay at \$241,500,000,000. Savings are expected to reach \$14,000,000,000 as compared to \$11,300,000,000 in 1950. Thus, in 1960, personal spending will drop off to 65 per cent of the national output—as against 67 per cent in 1950. This drop is indicated by the rising trend of government spending.

HOW CONSUMER WILL SPEND HIS DOLLAR IN 1960:

colored areas, increase over 1950; black areas, decrease; white, no change.



Food and drink:

revolution reaches the table

Americans, already well fed, are expected in 1960 to be consuming more food, more alcoholic beverages, and more tobacco.

The trend indicates a general rise of seven per cent for these three items, which together account for one third of the consumer's expendable dollar.

However, with increased income and increased concentration of population in urban areas, eating in restaurants and drinking of liquor, at home or elsewhere, is expected to rise at a 50 per cent faster rate than consumption of home cooking.

Higher income and increased urbanization, together with spreading of nutritional education, appear to be building up an increased demand among Americans for dairy products (except butter), eggs, meat, fish, and poultry, citrus fruits and tomatoes, leafy green and yellow vegetables, other vegetables and fruits. These factors also are diminishing the appetite for fats and oils, dry beans and peas, nuts and soya products, potatoes, and grain products.

No change in consumption habits or levels is foreseen for coffee, tea, cocoa, sugar.

Biggest gap between demand and need for food in 1960 appears to be a six per cent milk deficiency. On the whole, though, the evidence supports the conclusion that the nation is fairly well fed, and will be even more so in 1960.

The average American family spends more than one-third of its budget like this: for food, 28 per cent; alcoholic beverages, four per cent; tobacco two per cent.

Whisky and wine drinking, which dropped to about two cents of the per capita expended consumption dollar during the days of prohibition, trebled to six cents right after World War II. It has never attained the high levels of the preprohibition era. At the beginning of this decade, Americans drank an average of 17 gallons of beer per capita, four quarts of liquor, four quarts of wine.

Per capita consumption of tobacco has been rising steadily since the early '30's, due chiefly to the growing popularity of cigarets. At the turn of the decade, Americans were consuming 128 packs of cigarets, 37

cigars, about a pound and a half of other tobaccos, including snuff, per capita a year.

The steady rise in real income has increased the relative consumption of more expensive foods. Undoubtedly education has also influenced the appetite, since the shift in eating habits has been for the most part toward improved nutrition.

Eating per capita has fallen off in terms of weight of total food consumed, but Americans generally have been enjoying more varied foods.

As urbanization of our population increases, fewer Americans tend to grow their own food, or prepare it. Commercial processing of food—to make it easier to serve, pleasanter to the eye, more appetizing—has made deep inroads on household canning and preserving. Americans tend to eat more soups and baby foods already packed. Packaged food has been enriched with vitamins.

As families become smaller, smaller food units have been developed, such as the lighter-weight turkeys, smaller cuts of beef, half loaves of bread, half pound cans of vegetables and fruits, and dwarf watermelons.

The frozen and concentrated food processes have been increasingly appealing to the consumer. The concentrated fruit juices may lead to concentrated wines and beers.

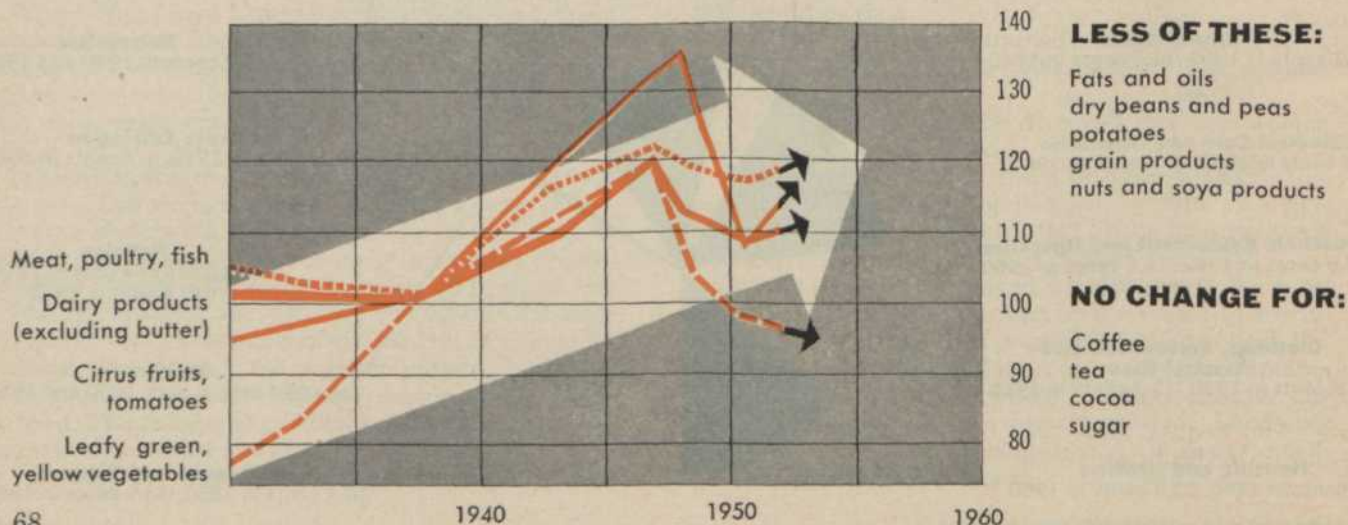
The development of low-temperature evaporation promises to revolutionize marketing of liquids. Concentrated milk may narrow the price between producer and consumer.

With our increasing knowledge, the American concept of an adequate diet has also changed, so that today the adequate diet is the optimum diet conducive to general well-being, rather than a diet that is aimed at avoiding particular diseases, such as rickets and pellagra.

It seems highly probable that better nutrition has played a part in the increased life expectancy of Americans, in spite of the fact that one fourth of the population is estimated to be overweight because of regularly packing too many calories into their food consumption.

WE'LL EAT MORE OF THESE FOODS:

QUANTITY INDEX WITH 1939 AS 100



Clothing: must fight for its share

The vast majority of Americans wear clothes that are wholesome, clean, and stylish. Yet, in 1950, some 21,000,000 household units were spending less than the amount required to clothe themselves adequately.

Most Americans have also become acutely conscious of their personal care; still, in 1950, one third of American families and individuals were spending less than necessary to attain an adequate level of personal care.

Although American consumers are expected to spend \$32,000,000,000 in 1960 (in 1950 dollars), for clothing, accessories, and personal care as against \$25,000,000,000 in 1950, little narrowing of the gap between demand and need for these items is anticipated.

Why should this be so in view of the trend toward higher individual and family incomes? Because, of the three essentials of living—food, clothing, and housing—clothing (and personal care) expenditures are the most flexible and, therefore, most sensitive to changes in economic status and to competition from other consumer goods and services. It appears that the American consumer may prefer to spend more of his higher income for other goods and services, rather than for clothing and personal care.

Thus, expenditures for clothing fell from nearly 15 per cent of the consumer's dollar in 1921 to 11 per cent in 1933, and did not exceed 12 per cent until 1942. During World War II, when durable goods became hard to get, consumers spent a greater part of their budget for clothing, despite complaints that quality had been reduced. This spending reached a high of 15.2 per cent in 1945. After World War II, however, more of the consumer's dollar was attracted to other goods, such as autos and household wares, and expenditures for apparel fell to 11.4 per cent.

Even so, America has a relatively high level of clothing consumption. In 1950, the great majority of

Americans were managing to attain an adequate clothing standard: \$100 for an elderly couple, and \$358 for other families of two or more persons; \$50 for persons more than 65 not in families, and \$279 for younger individuals.

This comparatively high clothing standard results from three interacting long term trends: the shift from home and custom-made clothing to factory-made apparel; the change in taste toward lighter, functional, more uniform styles; the trend toward newer, specialized, man-made fibers.

Stylistically, American clothing has had three main tendencies: toward uniformity, with the clothing of the moderate income class tending to approximate the appearance and material of the apparel of the higher income class; away from frills and toward simplicity; and, more recently, an accent on youth.

Technological developments have an important impact on mode of dress. The auto encouraged people to dress up and visit; television encouraged them to stay home and dress casually.

American interest in personal care, on a mass scale, has been on the upgrade since World War I, stemming from the trend of population from farm to city, of women from home to job, of buying factory fabricated clothes, of increasing personal income. The auto, movies, radio, and television have made men and women, especially women, personal-care conscious.

Invention of the permanent wave marked the beginning of the beauty parlor as an important business, and gave rise to many allied enterprises. Development of the home-wave kit gave the personal care industry a tremendous boost right after World War II.

Over-all expenditures for cosmetics, wave kits, and the like are expected to reach \$2,800,000,000 in 1960 (in 1950 dollars).

Health: disease patterns will change

For the people as a whole, the United States has made great strides in improving the general health of the nation, reducing maternity and infant mortality, increasing longevity.

Nonetheless, we face a number of important problems in the field of health, particularly in the care and treatment of mental illness and the chronic sickness of the aged.

As a result, the gap between consumer demand for health and medical care and the actual needs, on the basis of minimum standards, is widening. In 1960, the nation is expected to have increasingly larger deficits of hospital beds (813,000); of physicians (45,000); of nurses (50,000); of dentists (34,000).

Progress in science over the past five decades has brought higher standards of medical care. We now take it for granted, for example, that the doctors and dentists who treat us are graduates of accredited schools. Costs of medical care are higher, too, especially hospital costs.

Nonetheless, average earnings have moved up so much faster that today production workers in manufacturing industries would have to spend only half a week's pay to get the same medical services which cost them a full week's pay in the later '30's.

As a result of medical progress, between 1900 and 1950 the death rate dropped from 17.2 to 9.6 per 1,000 population (mostly in the saving of lives of children and young adults through control of infectious diseases); the life expectancy of newborn babies was increased by some 20 years, to 66.6 for white males, to 72.4 for white females.

Maternal mortality rates have steadily decreased, from 56.8 per 10,000 live births in 1936 to 8.3 in 1950. Infant mortality has been reduced from 999 per 10,000 live births in 1915 to 292 in 1950. An important contribution to the saving of the lives of both mothers and infants has been the increased number of births in hospitals, with physicians attending.

While lives were being saved, the population has

been growing older. Today, there are four times as many persons past the age of 65 as at the turn of the century. This change in age has also changed the relative importance of diseases. In 1900, the three leading diseases were influenza and pneumonia, tuberculosis, diarrhea and enteritis; in 1950, the three leading diseases were diseases of the heart; cancer or malignant tumors and intercranial lesions of vascular origin.

The degenerative and chronic diseases associated with greater age have increased steadily. The number of mentally ill has also increased. Both areas need more research, more preventive therapy, more educational programs.

Mental illness is our No. 1 problem. On an average day in 1952, more than 700,000 persons—equivalent to the combined populations of New Hampshire and Nevada—were patients in nervous and mental hospitals. Nearly half of all hospital beds were utilized by mental patients.

In 1952, some 19,000,000 persons—one out of eight of the entire population—entered a hospital for treatment. It is estimated that the nation could have utilized some 800,000 more beds than the 1,500,000 that were available in hospitals.

Traditionally, Americans have paid their medical bills on a fee-for-service basis. In 1952, some 83 per cent of the private medical bills were paid in this manner, but voluntary hospital and health prepayment plans have increased significantly since just before World War II.

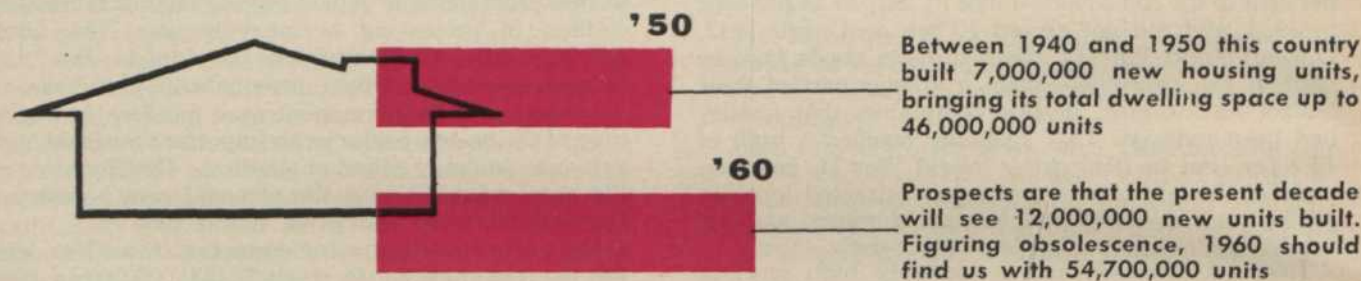
By the end of 1952, some 92,000,000 persons—about 60 per cent of the population—had some form of voluntary insurance protection against hospital or medical costs or both.

The prepayment plans accounted for 17 per cent of the private medical bill in 1952. This trend is continuing to grow.

In 1950, the consumer spent 4.4 cents of his dollar—\$8,400,000,000—for health and medical services, calculated to be an expenditure 50 per cent less than required to meet adequately the needs for services of medical personnel and facilities ordinarily paid for by the consumer.

This big gap is expected to continue into 1960 when Americans will probably spend \$10,700,000,000 (in 1950 dollars) for direct medical services, exclusive of tax dollars spent for medical care and health through the government.

Housing: losing race with population



The prospects are for demand and construction of 12,000,000 new homes in the U.S.A. during the current decade, as against fewer than 7,000,000 in the previous ten-year period.

The trend in housing demand indicates an annual consumer expenditure of more than \$33,000,000,000 in 1960, about 22 per cent more than in 1950.

By 1960, the outlook is for the nation to have 54,700,000 dwellings.

In 1950, the U.S.A. had 46,000,000 housing units, of which 15,000,000 failed to provide reasonably adequate living quarters and needed to be replaced or rehabilitated. Although the average family had shown a marked improvement over the decade, housing conditions in 1950 were still considered far from satisfactory because ten per cent of the homes were dilapidated; 17 per cent had no running water in the dwelling; 29 per cent had no private flush toilet; and 31 per cent had no private bathtub or shower. Cost of bringing these homes up to standard is estimated at \$67,000,000,000.

While generally improving our housing standards through adding or improving electricity, plumbing, etc., the nation has to accelerate its construction pace to keep up with expanding population and requirements for replacing obsolete housing. As against the 1,200,000 dwellings expected to be built annually

during 1950-60, the projected need for new housing is 1,550,000 units—a shortage of 350,000 a year.

Housing, which includes utilities (fuel, electricity, gas, water) is generally the second largest item of the family budget, second only to food. However, as family income has risen the proportion spent for housing has decreased from one fifth of the budget in 1920 to one seventh in 1952.

It appears that, once basic housing needs are met, the average family prefers to spend its money for other goods and services.

The tendency over the past half century has been for new housing to be built in the city rather than in the country, and in the suburbs rather than in the central city. This trend reflects the general shift of our population.

The best housing is found in the cities, especially of the North and West; the worst, on the farms, especially of the South. In 1950, for example, one out of eight homes in northeastern cities was found inadequate, as against seven out of eight in the rural farm areas of the South.

In the 1940-1950 period, there was a strong switch to ownership occupancy as against rental occupancy. At the end of the decade, 55 per cent of the homes were lived in by their owners, and only 45 per cent were rented.

Home equipment:

\$35,000,000,000 for work savers

Americans have acquired a taste for labor-saving devices which will make for brisk sales of household equipment into 1960.

The big demand is expected to come for the relatively new items: clothes dryers, electric ironers, dishwashers, freezers, room air conditioning units, waste disposers.

An increased demand for easier-to-maintain furniture and furnishings is also anticipated.

Our consumer expenditure for household equipment, high in recent years, will be higher in 1960.

Americans spent \$29,000,000,000 for household equipment and services in 1950; are expected to spend \$35,400,000,000 (in 1950 dollars) in 1960.

The biggest change in household operation in the past century has been this increased ownership of mechanical equipment. In 1925, less than one per cent of the wired homes had mechanical refrigerators. By 1950, the mechanical refrigerator was standard

equipment in 86 per cent of American homes. In addition, by 1950 nine out of ten homes had an electric iron; seven out of ten had a modern cook-stove; nearly seven out of ten had a washing machine.

This trend toward mechanization has changed the nature of the housewife's daily tasks, and decreased her dependence on domestics and on outside services.

Domestic service has been playing a continuously decreasing role in the expenditure of the consumer's dollar, chiefly because with other jobs available women who might otherwise go into domestic service can get more attractive work. A continued decline in the supply of domestics is foreseen. On the other hand, there appears to be an increased tendency for the husband to share the housework.

There has been a steady trend, in both furniture and furnishing, to simpler styles, and to materials and finished products which are easier to care for, such as hard surface floor coverings instead of carpeting.

Transportation:

\$7,000,000,000 for new facilities

In the field of transportation, the most spectacular developments in the future—as they have been in the immediate past—will be in the air. By 1960, short-haul travel by helicopter will be common, and long-distance travel will begin to undergo sensational increases in speed and comfort through development of jet propulsion, rocket power, and atomic energy.

The popularity of the automobile also will continue to rise. The outlook is for 59,000,000 passenger cars by 1960, as against 40,000,000 in 1950. Auto production will be booming with 6,100,000 new cars rolling off the lines in 1960. Record production was 6,500,000 in 1950.

The prospect is that the decline in railroad passenger business will continue. A similar declining trend is anticipated for transit passenger volume, unless local governments act to stimulate use of mass transportation facilities.

The United States, with its people highly industrialized, highly urbanized, and possessed of relatively high income, contains a substantial part of the world's transportation facilities: 30 per cent of the world's rail mileage, 33 per cent of the world's highways, 80 per cent of the world's motor vehicles, the world's largest aviation and pipeline systems. Continuing growth of our national output will mean a sustained upward trend in the demand for transportation, accelerated by the requirements of national defense.

The rails, which for decades dominated our intercity traffic, declined to less than half of all passengers carried in 1952. Today, the motor vehicle is the principal passenger carrier, accounting for six out of seven passenger miles of travel outside of cities and three out of four within urban areas.

Because of this increased use of motor vehicles, per capita travel has jumped from 500 miles between

cities in 1916 to 2,200 miles in 1950, with total travel per capita (intracity and intercity combined) now averaging 4,300 miles a year.

By 1953, our people were traveling more than half a trillion miles annually.

The private automobile, except for the brief period of World War II, has steadily been making inroads into the passenger business of the common carrier. Since World War II, only air travel has continued to rise in volume.

The statistics tell the story. Rail passenger traffic hit an all time high of 98,000,000,000 passenger-miles



By 1960, short haul travel by helicopter will be commonplace



And we'll have about 59,000,000 cars, one for every third person

in 1944, then fell to 31,700,000,000 in 1953. It is expected to decline to 22,000,000,000 by 1960.

Bus passenger traffic rose to a peak of 27,800,000,000 passenger miles a year during World War II, fell off to 19,700,000,000 during 1953, and is expected to decline to 19,000,000,000 in 1960. Local transit systems, chiefly buses, carried a record 23,000,000 passengers in 1944, when commuters took 309 rides annually per capita. By 1953, the transit lines' business was down to 14,000,000 passengers, 150 rides per capita. The prospects are for a further loss of passengers as more Americans buy and drive their own autos to and from

work, despite the increasing difficulties of traffic congestion and parking.

The widespread ownership of automobiles stems from the growth of population, increased growth of households, the development of suburban living, and the increased demand for two or more cars in a single household.

In 1930 there were 23,000,000 cars registered in the United States, or one for every 5.4 persons. In 1950, we had one car for each 3.8 persons.

By 1960, we will have one automobile for every third individual.

Today, there are seven car owners for every ten persons employed; two out of three households own at least one car; eight per cent own two or more autos. In the West, 80 per cent of all households own a car; 16 per cent, two or more cars.

Demand for new cars in 1960 will be stimulated by technological improvements in both autos and highways to improve safety and comfort of driving, and to lower cost of buying and operating a car.

Air travel, down during World War II, did a volume of 7,700,000,000 passenger miles in 1950, doubled volume in 1953, and is expected to attain 25,000,000,000 passenger-miles by 1960.

By then, the helicopter—today still in swaddling clothes—will blossom into an important transportation facility carrying more than 6,000,000 passengers downtown-to-airport, on intercity hauls of less than 300 miles, and as a metropolitan area public carrier. Jet

travel for long trips, turbojets for the shorter trips will be well in operation by 1960, and there may be the beginning of the convertiplane, the combined plane and helicopter for all-weather navigation, speed and safety in the air.

Altogether, consumers are expected to spend \$28,500,000,000 for transportation in 1960 (as against \$23,500,000,000 for 1950). This is 11.8 cents of each disposable dollar or 12 cents of each consumption dollar.

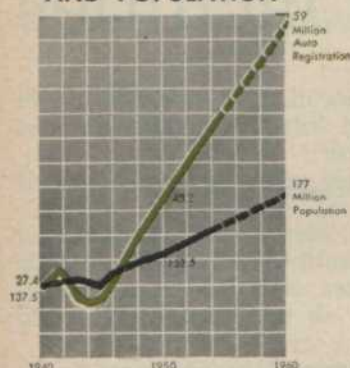
The anticipated increase in population and high levels of industrial activity also point to more raw materials being hauled from source to factory; more finished goods being hauled from plant to consumer; more produce being hauled from farm to city.

Freight movement has not grown as much as passenger traffic, but the freight volume doubled between 1926 and 1952. In that period rail freight traffic fell from 77 per cent of the total to 55 per cent; truck traffic multiplied 11 times to 16.2 per cent; oil pipeline volume increased six times to 13.9 per cent. Air freight in recent years has also been making some inroads in the movement of goods.

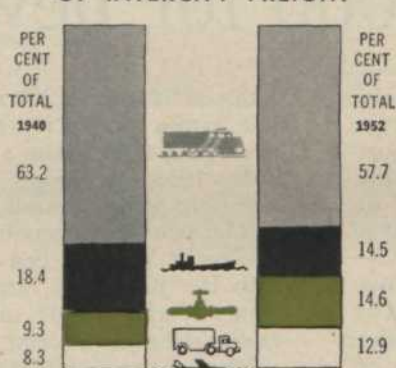
In 1950, some \$4,700,000,000 was spent in capital outlays for transportation; in 1960, the outlook is for an expenditure of \$6,900,000,000. Biggest item is expected to be highway construction, with railroad expenditures next.

Need for transportation capital expenditures in 1950 is estimated at \$8,600,000,000; in 1960, the estimate is \$9,300,000,000 (in 1950 dollars.)

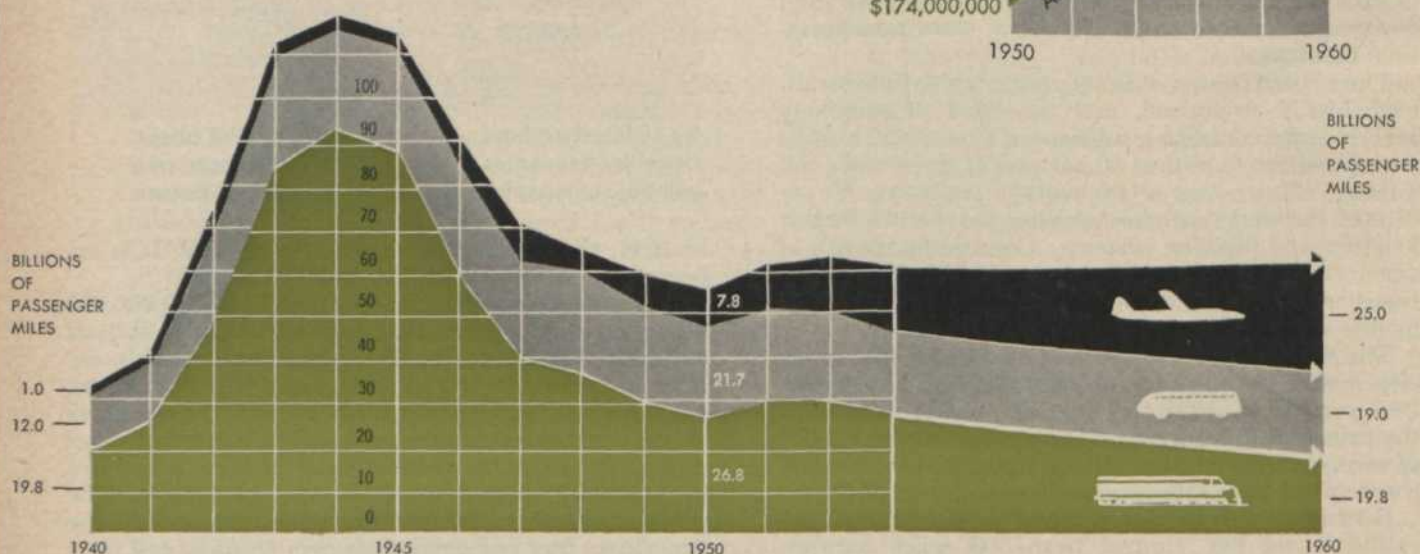
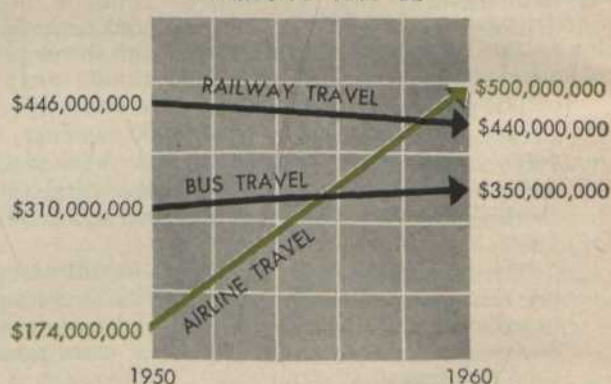
AUTO REGISTRATION AND POPULATION



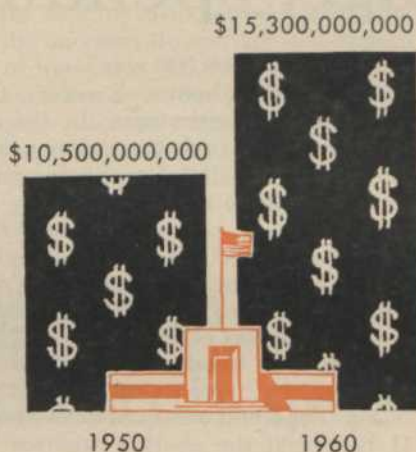
PERCENTAGE DISTRIBUTION OF INTERCITY FREIGHT



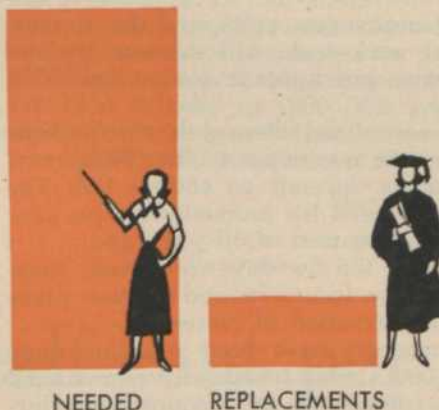
EXPENDITURES FOR INTERCITY TRAVEL



Education: crisis will continue



1960 increase in educational spending still will fall short of estimated needs



100,000 new elementary teachers needed yearly. Graduating: about 20,000

In 1960, the United States is expected to be spending \$15,300,000,000 for public and private education—about 50 per cent more than in 1950—yet this huge expenditure will be \$6,600,000,000 less than the outlay required to meet the anticipated need at the end of the decade.

Thus, the outlook for 1960 is pretty much the same as the situation today: not enough teachers, not enough classrooms.

However, educational facilities in the United States, although not equally available to all, are provided on a constantly expanding scale. It is one of the most widely available social services. Professionally trained teachers are the rule.

An outstanding social achievement of the century has been the raising of the general educational level of the American people. Over the past 50 years school attendance has more than doubled. Some three fifths of the population five to 19 years of age attended school in 1910; the proportion had increased to nearly four fifths by 1950.

In that year, 71 per cent of the adult population (25 years of age and more) had completed grade school. The median completed grades for the adult population was 9.3 years of school. The typical enlisted man in World War I had completed only seven years of schooling as against ten years by the World War II GI. Some 29,000,000 pupils were enrolled in elementary and secondary schools in 1950—or 79 per cent of the population age five to 19—up from 63 per cent in 1910.

Another measure of increasing education is the extension of the public school term from 135 days in 1890 to 178 days in 1950.

The average number of pupils per teacher in public schools declined from 37 in 1900 to 28 in 1950, yet today more than 600,000 children are attending school on a half-time or part-time basis because of lack of available classrooms, and in 526 urban communities one third of the children were in classes of 35 or more.

To meet the needs of a growing school population

and to replace teachers who leave the profession, more than 100,000 new teachers will be needed in elementary schools each year of the current decade, yet the number of qualified elementary teachers graduating each year is little more than one fifth of this number.

The implications of this are serious enough to justify the use of the much overworked word, "crisis."

An adequate program of education in 1950 would have permitted an elementary and secondary school enrolment of 31,100,000 pupils, 2,500,000 more than were actually enrolled. By 1960, enrolment is expected to attain 42,000,000, or 1,700,000 short of the potential enrolment if our educational programs were adequate.

Estimates are that, during the 1950-60 decade, a total capital outlay of about \$3,000,000,000 a year would be needed to provide the buildings and equipment necessary to handle the number of elementary and secondary school children who might be enrolled under an adequate program. Yet, as against this need, the expenditures in 1950 were \$1,200,000,000. Outlay is expected to be \$1,700,000,000 in 1960.

At the college level, on the basis of adequate standards, the 1950 enrolment of 2,659,000 fell short of the desired goal by 1,468,000; and the 1960 enrolment level is expected to fall 1,564,000 short of the goal of 4,489,000 students.

Private education, financed through direct consumer payments, has long been insignificant by comparison with public education financed by the taxpayers. Government now disburses almost 90 per cent of the operating costs of primary and secondary schools and about half the costs of higher education.

In 1950, expenditures for private education totaled \$3,000,000,000 or about 1.5 cents of the consumer's dollar, about the same proportion as before World War I.

Outlay for private education of all types in 1960 is expected to be about \$4,000,000,000 (in 1950 dollars). In both years, the gap between demand and need is estimated at about \$500,000,000.

Recreation:

tastes won't change, spending will

The increasing income per capita, and the decreasing work-day and work-week, will increase the nation's available time and appetite for recreation in 1960.

Our forefathers considered idleness the thief of time needed to produce the necessities of life. Man's survival today no longer depends on endless toil. The machines which increased his productivity also gave him leisure hours undreamed of 50 years ago.

The 40-hour week, the five-day work week, vacations with pay, old-age insurance and pension plans have added to the attraction of recreation.

Since 1950 consumers have been spending more than \$10,000,000,000 a year for strictly recreational goods and service—five times the amount spent during the depression and nearly twice as much as spent in 1945. Our various layers of government have been spending another \$1,000,000,000 a year for recreational facilities and activities.

The tourist trade has been an important development in the American's penchant for recreation. This trade is particularly important to New England and the Rocky Mountain areas. For example, recreation produces about one fifth of the annual income of New Hampshire. More than half the states rate the tourist trade one of their three largest sources of income.

The auto was the most important stimulus to recreation because it provided quick and easy access to beaches, golf courses, sports events, and distant vacation spots. About 85 per cent of all vacation travel today appears to be conducted by auto. Air travel has been making an impact on tourist travel over long distances, and especially overseas.

Recreation received another spurt from the development of the motion picture soon after the turn of the century. In 1946 attendance at the motion picture theaters reached an all time high of 81,000,000, with receipts at \$1,500,000,000. Attendance and receipts have slipped steadily since, to 54,000,000 and \$1,200,000,000 in 1950.

Radio followed the motion picture in encouraging recreation. By 1953, some 95 per cent of all homes in the U.S.A. had radios; in all, 100,000,000 radios were in use, including 27,000,000 auto sets.

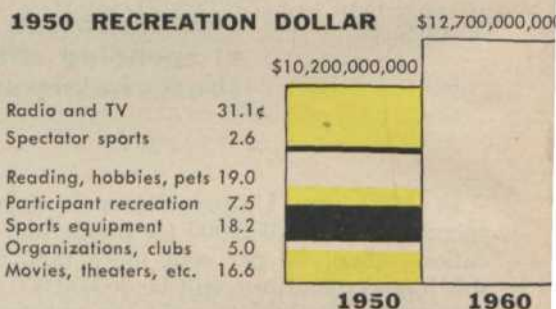
In the 20's, the radio almost eliminated the phonograph and piano; in the late 40's television threatened to blot out radio. TV, a late comer, attained large-scale production right after World War II. By 1953,

more than 15,000,000 sets were in use in 46 per cent of the nation's homes. Even so, the development of TV is in its early stages. In the offing is color television, and beyond, three-dimensional TV.

Americans, with leisure time available, have become increasingly hobby-minded. For example, amateur photographers possess 34,000,000 cameras, spend about \$400,000,000 a year for supplies and equipment. The movie camera's popularity is only just underway, with more than 3,000,000 in the hands of fans.

Since the end of World War II there has also been a boom in woodworking, gardening, model-plane building.

Another trend observed since the end of World War II has been the sharply increased interest in more serious types of music. Sale of classical records ac-



counts for 40 per cent of all record sales—as against 30 per cent before the war.

In the sporting world, water sports have been increasingly popular in recent years; and there's been a postwar boom in boating. Scientific improvements have increased the sales of sports equipment.

In 1950, Americans spent their recreation dollars like this: 16.6 cents for movies, theater and other commercial amusements (except athletics); 2.6 cents for spectator sports; 19 cents for reading, hobbies, and pets; five cents for organizations and clubs; 7.5 cents for participant recreation; 31.1 cents for radio and TV sets and musical instruments; 18.2 cents for sports equipment.

Altogether, in 1950, Americans spent \$10,200,000,000, or 5.2 per cent of their consumption dollar, for recreation, nearly double the proportion spent for recreation in 1909. The outlay for 1960, estimated at \$12,700,000,000 (in 1950 dollars), is expected to divide the consumer's dollar about the same way.

Welfare: relief need may end

Individual giving for private social welfare activities, as in the case of expenditures for religion, never was more than a small fraction of the consumer's disposable dollar.

Although the individual gifts are expected to rise to \$1,100,000,000 by 1960—compared to \$900,000,000 in 1950—the outlay will still be only around one-half cent of the consumption dollar.

In the past 25 years, government has assumed more and more of the existing welfare functions, as well as

many new ones. Since the end of World War II private business has become an increasingly important source of support for welfare.

In 1950, welfare expenditures by the government—including social security, veterans' benefits, public aid, relief programs—cost some \$12,300,000,000, a ten-fold increase over the government's outlay in 1930. Over the same period, employers' contributions to private health, welfare, and pension programs increased 20-fold to \$2,800,000,000. The outlook is for continued

increasing expenditures by both government and employers.

Today, and looking toward 1960, private welfare has been allotted responsibility for counseling service, family adjustment, group work, and care of individuals and families whose problems are only partly economic. From private welfare is expected leadership, coordination of public and private activity and experimentation.

Public welfare has taken over the primary income maintenance functions—such as unemployment compensation, old-age pensions, etc.—to be performed as far as possible through social payments. Assistance for special groups will grow until social insurance is ex-

tended to cover all workers and risks, the fund study contends. Perhaps special assistance, as for veterans, may be required permanently. It is anticipated, however, that public relief type of welfare will soon become unnecessary.

In addition, the industrial welfare programs are growing. An expansion of 50 per cent is anticipated in this area during the current decade.

As a whole, welfare expenditures—private, industrial, and public—amounted to \$16,900,000,000 in 1950, and will probably amount to \$22,900,000,000 (in 1950 dollars) in 1960. The gap between actual expenditures and needed outlay is expected to decline from \$3,600,000,000 in 1950 to \$1,800,000,000 in 1960.

Religion: church gets half cent per dollar

The organized religious bodies of the United States can expect increased total expenditures over the decade, but also a smaller part of the consumer's dollar.

In 1909, Americans spent one cent out of every dollar for church activities; by 1952, this percentage fell to six tenths of one per cent. The outlook for 1960 is an outlay of .54 per cent.

Dollarwise, however, expenditure for religion is expected to rise from \$1,100,000,000 to \$1,300,000,000. Construction expenditures will also increase from \$409,000,000 in 1950 to a probable \$550,000,000 in the year 1960.

These combined sums will fall more than 25 per cent short of the estimated needs of the religious groups to fulfill their goals for 1960, including more adequate compensation for clergymen, employment of trained religious workers, new mission programs, and new buildings.

Although organized religion represents a relatively small share of the economic life of the nation, total contributions to churches constitute as much as one half of all the philanthropic giving by our people.

Since World War II, church membership has increased throughout the United States, partly due to the increased birth rate, and partly because of the critical nature of the times.

America probably offers a wider choice of religious



worship in both form and substance than any other country. In 1950, some 92,000,000 Americans were estimated to be members of 250 different religious groups, which maintain nearly 286,000 churches. The average church had more than 300 members, and the average member contributed about 35 cents a week toward support of activities and benevolences.

Capital expenditures: will grow 25 per cent

American investment in capital goods is expected to jump by more than one fourth in 1960 as compared to the beginning of the decade.

Principal stimulant of this boost is private industry's drive to expand its plant and equipment. A two-fifths increase in industry's outlay for new plants and equipment is foreseen, with all areas of private enterprise except one participating. Only the mining industry is unlikely to increase its capital investment.

The capital goods boom will pick up more power from expenditures for developmental and public construction—such as highways, airports, urban redevelopment, conservation projects. These outlays are ex-

pected to rise by two thirds in 1960 as against 1950.

Consumer construction, however, may decline somewhat, with slackened spending for housing, compared to spending rate after World War II, more than offsetting increased demand for hospitals, schools, churches, and recreational facilities. Of the three major components of national output—consumer expenditures, capital goods outlay, and government spending—capital goods outlay is the smallest. It rarely exceeds one sixth of the national output and it fluctuates—up during prosperity, down during depression.

For example, in the boom year, 1950, investment in capital goods soared to \$52,400,000,000, or 3½ times

the amount invested in 1940; by 1960, the capital expenditures are expected to reach \$66,500,000,000 annually (in terms of 1950 dollars).

In 1950, of each dollar spent on capital goods, 58 cents went for private productive facilities, 32 cents for consumer construction, and ten cents for developmental and public construction. In 1960, the capital investment dollar is expected to be spent as follows: 63.5 cents for industrial expansion; 24.5 cents for consumer construction; 12 cents for developmental and public construction.

Industry displayed its greatest prewar surge of confidence in the future in 1929 with an expansion outlay of \$10,700,000,000 for capital investment. Plant and equipment expenditures for private productive facilities plummeted to \$2,600,000,000 in 1933.

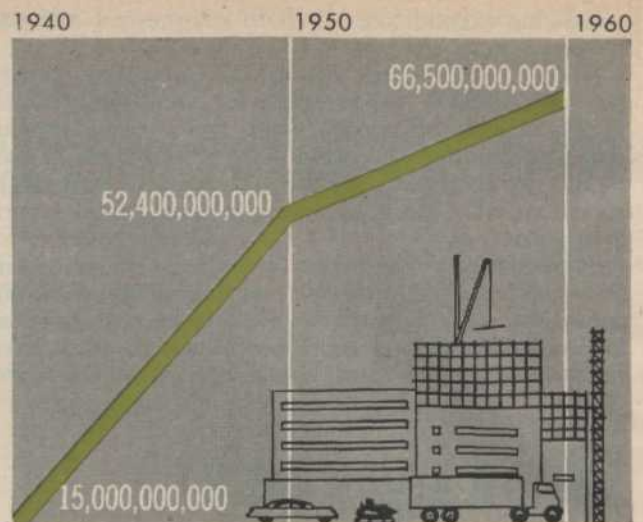
Not until after World War II was confidence restored to the extent of the 1929 peak. By 1950, however, industrial expansion called for an outlay three times that of 1929, or \$30,300,000,000. In 1960 capital expenditures for private productive facilities are expected to reach \$42,300,000,000. More of this is likely to be spent for modernization than for expansion.

Biggest capital outlay in 1960 will be for manufacturing plant and equipment: \$11,000,000,000 compared to \$7,500,000,000 in 1950. Outlay for farm capital goods is expected to rise from \$4,000,000,000 in 1950 to \$5,700,000,000 in 1960. Public utilities are expected to spend \$4,300,000,000 in 1960, up one third from 1950. The communication industries will boom and outlays for planes, trucks, and intercity buses will increase.

All in all, so far as private productive facilities are concerned, the gap between demand, in terms of money spent, and need is expected to narrow from 15 per cent in 1950 to six per cent in 1960.

In consumer construction, on the other hand, the gap between demand and need is expected to widen. Estimated expenditures for housing, schools, and other consumer construction goods in 1950 was \$16,800,000,000 as against a calculated need for an outlay of \$20,700,000,000; in 1960 the expenditure is seen as declining to \$16,200,000,000 as against a projected need of \$21,400,000,000.

Although developmental works and public enter-



prise construction—principally highways, conservation, and development projects—usually account for only a small fraction of total expenditures for capital goods, the gap between estimates of demand and need in this field is much larger than in the case of either consumer construction or productive facilities.

As against expenditures of \$4,800,000,000 in 1950 and \$7,300,000,000 in 1960, need is projected at an average spending rate of \$10,700,000,000 in 1950 and \$11,400,000,000 in 1960.

It would require \$5,500,000,000 annually to give us a superlative interregional highway system, with rebuilt state highways, rural roads, and city streets.

Looking at developmental and public construction from another approach, we find that it would cost from \$85,500,000,000 to \$91,300,000,000 (in 1950 dollars) to eliminate all our urban residential slums and blighted areas, and to provide every family living in urban areas in 1950 with at least a minimum standard dwelling in a satisfactory neighborhood. In a like manner, planning ahead, it would cost more than \$103,000,000,000 to meet the possibilities for land, forest and water conservation and development.

Government expenditures: half again as big

Spending by government—federal, state, and local—is expected to attain a level more than 50 per cent higher in 1960 than in 1950.

Basis for this estimated jump is the anticipated increase in national defense spending.

In 1950 combined government expenditures were \$61,000,000,000, with \$42,000,000,000 being spent for goods and services. Yet some estimates are that this spending level failed to meet needs—particularly for national defense—by some \$35,000,000,000.

Catching up with these defense deficiencies, together with anticipated substantial rises in spending for public welfare, social security costs and highway construction, is expected to bring the 1960 outlay up to \$94,500,000,000, of which \$72,500,000,000 would be for goods and services.

The gap between probable and needed expenditures in 1960 is expected to shrink to \$12,000,000,000 or to about one third of the 1950 deficiency. The largest

1960 deficiencies in needed outlays will be for education, public welfare, social insurance and highway construction.

Since World War I, governmental expenditures—federal, state, and local alike—have been steadily moving upward, partly because of increased prices; partly because of more and expanded services. Some of these new services have come in response to public demand; others, like national defense and foreign aid, have been imposed by world developments.

Per capita government expenditures—in terms of 1950 dollars—were just about \$100 in 1913, soared to \$460 in 1950, and are still going up. In 1913, foreign aid was negligible, but amounted to \$31 per capita in 1950; social security, which had been similarly negligible four decades ago, cost \$48 per capita.

Between 1913 and 1950, interest on public debt zoomed from \$1.66 to \$42.81 per capita; payments for agriculture and natural resources, principally farm aid,

from \$2.10 to \$29.20; and national defense, from \$8.62 to \$83.19.

Per capita expenditures over this period quintupled for public welfare and veterans' compensation and pensions; trebled for education, health and community facilities; doubled for transportation.

To keep up with this trend, the combined public payroll has steadily risen so that by 1950 one out of eight persons employed in the United States had a government job. By 1952, with the Korean war activity, one out of seven employed Americans was working for some government unit, including the armed forces.

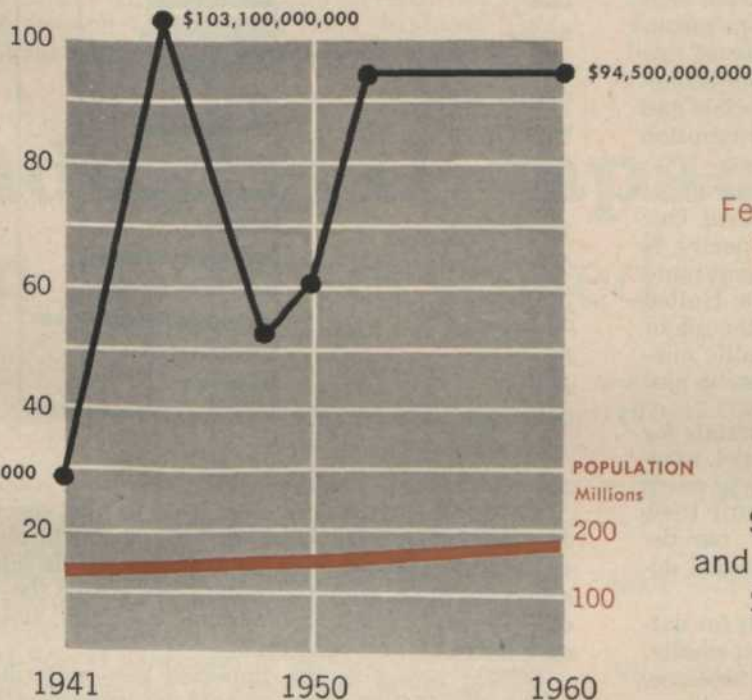
The impact of two world wars and the depression has forced local government spending—which account-

ed for nearly 60 per cent of the total government outlays in 1913—into a secondary role. In fiscal 1952, the 117,000 local governmental units spent but 20 per cent of the total governmental expenditures of \$92,000,000,000, in terms of 1950 dollars. Federal spending, which accounted for less than one third of the outlay in 1913, was up to 70 per cent in 1952. The state governments' share of the spending remained fairly stable, between ten and 11 per cent.

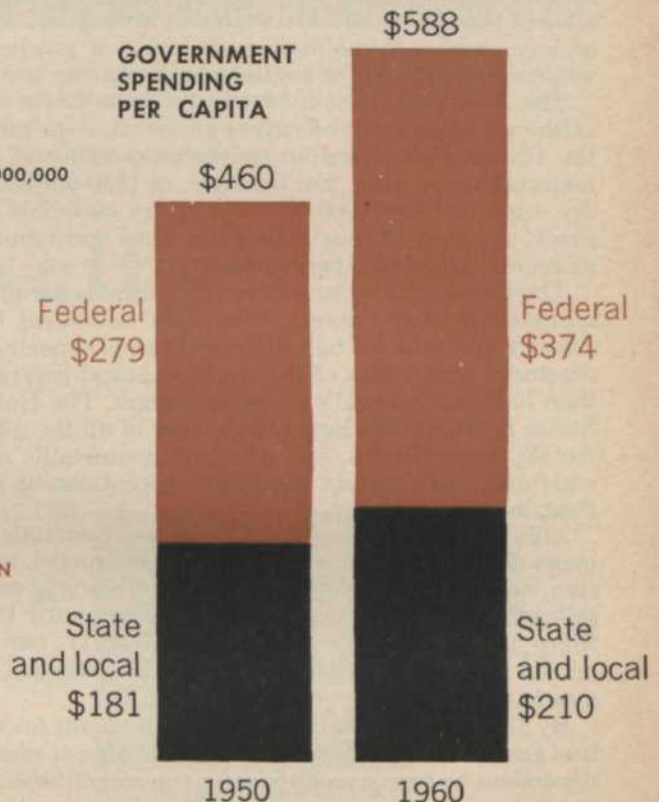
The big swing toward giving federal government the biggest purse to spend has taken place over the past two decades. In that period total government expenditures have increased eight times, but federal expenditures alone have multiplied 16 times.

GOVERNMENT SPENDING AND POPULATION

DOLLARS IN BILLIONS



GOVERNMENT SPENDING PER CAPITA



Foreign trade, Inventories: one increasing, one stable

In foreign trade, the 1960 prospects are for an increase in both exports and imports. However, exports seem likely to increase more than imports so that the merchandise balance of trade will become even more favorable to the United States in the future than in recent years.

American investments abroad are expected to double, but, even so, income from our growing total of foreign investment may exceed annual fresh capital outflow by as much as 35 per cent.

These two factors likely to result in favorable balance to the United States of about \$2,000,000,000 are expected to be more than offset by American aid abroad, tourist travel, private remittances and donations, and payments for foreign merchant marine services.

The Civil War started the transformation of the United States from a raw materials supplying nation, with an import surplus, to an industrialized nation

with an export surplus. The United States entered World War I as a debtor nation, emerged as a creditor nation.

World War II achieved a third transformation: The tremendous expansion of our industry and agriculture left the rest of the free world dependent on our economy as never before.

During the past 65 years our foreign trade has become smaller and smaller in comparison with our internal trade and production, although exports have become an increasingly important outlet for our agricultural surpluses.

Business inventories which together with export balance make up a tiny part of the national output—in contrast to consumer expenditures, capital investment and government spending—are expected to remain relatively stable.

No significant change in business inventories is forecast in 1960 as against 1950.

Natural Resources:

more use, some needs lacking

There's no doubt that the United States has or can get the natural resources to meet the demands and needs of the nation for 1960.

Nonetheless, looking to the future we must recognize that even a country so blessed with natural resources as America is, does not have an inexhaustible store of the raw materials essential to an industrialized society seeking to maintain high levels of prosperity while simultaneously strengthening its security system.

The American economy produces about 40 per cent of the world's output of industrial goods. As a result, the United States uses an enormous quantity of raw materials every year. For example, in 1950 our economy consumed 2,500,000 tons of raw materials and foods, or about 18 tons per capita. Fuel consumption alone was seven tons per capita.

The United States consumes many raw materials at a rate equal to all the rest of the world combined. Our country accounts for half the world's steel capacity. It consumes nine tenths of the world's natural gas, more than half of the world's crude petroleum. The United States is the world's largest consumer of all the major metals, mineral fuels, and principal nonmetallic minerals and, with certain significant exceptions, is also their leading producer.

Although we had imported some raw materials for many decades—tin, chromite, manganese, nickel, tungsten, and rubber, among them—we were pretty much self-sufficient in raw materials as a whole until 1940. Since then, especially since World War II, our demands for raw materials have generally exceeded domestic supplies.

By 1950 we just about met our requirements for natural gas and cement, but were wholly, or almost wholly, dependent on foreign countries for tin, nickel, asbestos, graphite, antimony, manganese, chromite, columbium, beryl, cobalt, diamonds, and quartz. More than half of our bauxite, lead and mercury had to be imported. A substantial portion of our requirements of magnesium, tungsten, fluorspar, copper and zinc had to be brought in from abroad. We even imported some iron ore, crude petroleum, and potash.

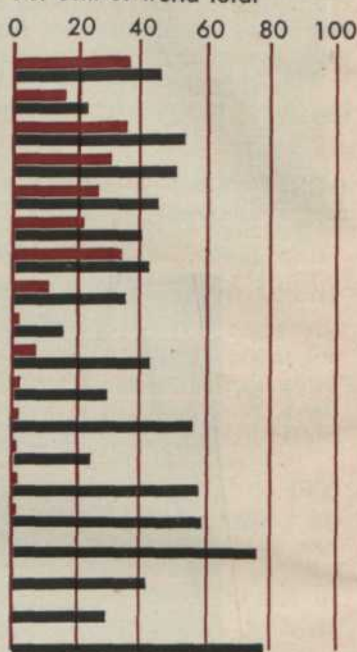
These growing shortages create no serious problem for 1960. It is estimated that the United States must consume 22 per cent more industrial raw materials than in 1950 to meet the demands for goods and services projected for 1960. Such an increase or even a

U. S. PRODUCTION

U. S. CONSUMPTION

Magnesium
Tungsten
Fluorspar
Copper
Zinc
Lead
Bauxite
Mercury
Graphite, natural
Beryl
Antimony
Cobalt
Manganese ore
Asbestos
Nickel
Columbium
Tin
Chromite
Quartz, radio grade

Per cent of world total



much larger one, would be easily within our reach.

However, looming in the future is the specter of shortages in petroleum, copper, zinc, lead. The most intense and acute deficiencies threaten in the additive alloys for steel, which are relatively scarce the world over—nickel, cobalt, columbium, tantalum, tungsten, molybdenum, and vanadium.

Denied access to the imported raw materials via trade, the United States would be compelled to increase its present 4.5 per cent of total manpower devoted to producing raw materials to utilize domestic low-grade reserves, and develop substitutes.

Because of the uncertainties of the future, it would seem wise for the United States to promote intensive research designed to develop new techniques for utilizing these reserves of low-grade resources; to rely on imports as much as possible to maintain our domestic reserves of critical materials; and to maintain a stockpiling program for materials that can be stored without deterioration and would be vital in another war.

Agriculture:

harvest, 56 acres per worker

Our nation has ample agricultural resources easily to meet foreseeable demands in 1960. These demands are expected to increase by 20 per cent over 1950. So well off are we in this resource that it would have taken little effort for our farms to have produced by 1953 the food, fibers, and tobaccos required to meet both estimated demand and need in 1960.

New lands can be brought to production, increasing our crop land by 40 per cent if necessary. Land already under cultivation can be made to produce 50 per cent more through improved management practices and mechanization.

To meet home consumption requirements, the United States is expected to have under cultivation

some 400,000,000 acres in 1960, with 40,000,000 acres additional for export.

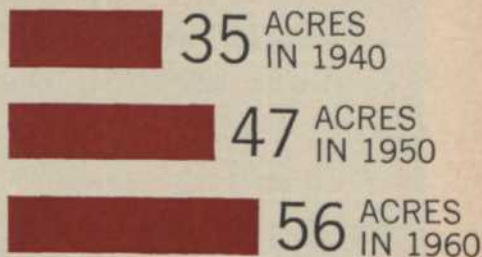
We cultivated 345,000,000 in 1950.

The outstanding feature of agriculture today is the progress in productivity. When the country was settled, it took nine farm workers to produce food enough to sustain themselves plus one city worker. In 1940 one farm worker could produce enough to feed himself and nine others.

In the 1940-50 decade, production per man rose 44 per cent. Acres harvested per worker increased from 35 in 1940 to 47 in 1950. Today one farmer can grow enough to feed 14 mouths besides his own. By 1960, prospects are that one worker will harvest 56 acres. This means that fewer farm workers will be needed to produce 20 per cent more agricultural goods in 1960 than in 1950.

In recent years, the United States' principal agricultural problem—which is still with us—has not been meeting demand but handling huge surpluses. This problem stems from our tremendous reservoir of pro-

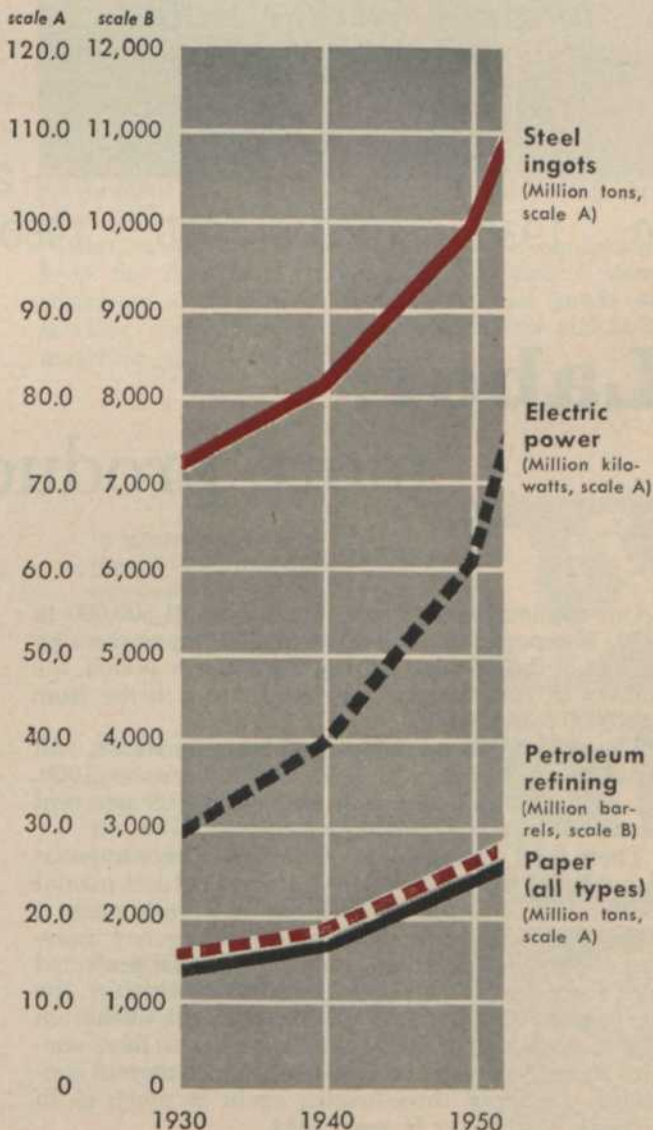
ONE WORKER HARVESTS



ductivity, which filled the needs of both the United States and its allies in World War II despite an acute shortage of farm labor. In 1944, for example, agricultural production rose 25 per cent over 1940.

Industrial capacity: can meet every need

Basic capacity growth,
four major industries



The enormous expansion of our industrial capacity during and since World War II makes it clear that our vast productive plant is a flexible man-made resource which, barring atomic devastation, will prove equal to any imaginable need.

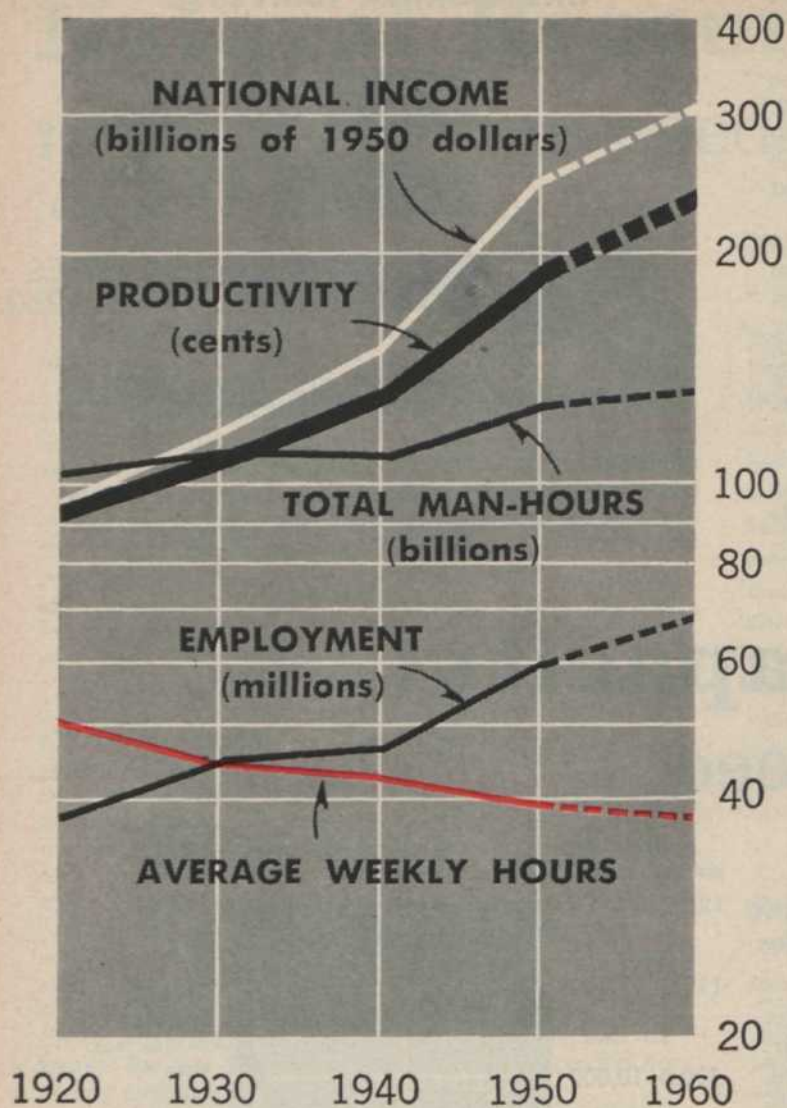
World War II demonstrated that the United States can meet deficiencies in plant and equipment very quickly. So fast did we create new physical plants during World War II that fears of postwar excess capacity arose. Yet in many fields, the postwar boom in industrial expansion greatly surpassed even the phenomenal wartime growth as demand mushroomed rather than diminished.

During the first half of the war decade, we created more than \$50,000,000,000 worth of new productive facilities, public and private. Manufacturing facilities were increased by one third. As a result, the nation's plants not only kept pace with military demands during the 1940-44 period, but went ahead so fast that, in a number of instances, entire plants—for example, making ammunition and aluminum—had to be shut down at the peak of the fighting.

During the war investment in private nonagricultural facilities was about \$38,000,000,000. During the second half of the decade, however, expansion in this field nearly trebled to \$109,000,000,000. More than a third of this record-breaking 1946-50 investment was for private manufacturing plant and equipment.

During the war decade (1940-50) our total manufacturing capacity doubled. Even so, the requirements of the Korean war stimulated another expansion of facilities.

The tremendous expansion of our productive plant since the summer of 1940 would have been a remarkable accomplishment even under normal peacetime conditions.



The steady climb in national income, productivity and employment—boosted sharply upward during the war decade—should continue to 1960, but at an easier pace. Technological progress, meanwhile, will let average weekly hours worked drop slightly to 37.5 hours.

Labor: more production, shorter week

Our national labor force, numbering 61,500,000 in 1950, is expected to expand to 72,500,000 workers by the end of the decade. During the ten-year period, the number of unemployed may also rise a little, from 3,100,000 to 3,500,000.

The work week, on the basis of long-run trends, will shrink from 40 hours in 1950 to 37.5 hours in 1960, but over-all production will increase by 29 per cent because of increased productivity.

There is, of course, a limit to our labor force in terms of number of workers available, of physical and mental ability, and of length of work day and work week.

However, simply by applying the emergency measures of World War II we could expand the projected work force from 72,500,000 to 80,000,000, reduce the idle from 3,500,000 to 1,000,000, up the work week from 37.5 to 45 hours, thereby producing more than one-third more goods and services than under normal conditions—or about three-fourths again as much as in the peak World War II year, 1944.

Over the long term, with the increased industrialization of our nation, the proportion of population in the labor force has increased from one third in 1870 to more than two fifths in 1950. Child labor has become less and less important; there has been a trend toward earlier retirement from work; the percentage of women in the work force has steadily increased. Agricultural workers have diminished in numbers as commerce and industry, and more recently the service trades, have shown rapid relative gains. Another marked trend has been toward clerical and professional work and away from unskilled occupations.

Looking ahead, indications are that participation by women in the labor force will continue to increase, but at a slower pace; that child labor will virtually vanish; that the percentage of workers among persons 65 years of age and older will continue to decline. Extension of the average period of formal education is expected to reduce the number of men in the early 20's and teenagers of both sexes in the labor force.

Technology: greatest resource

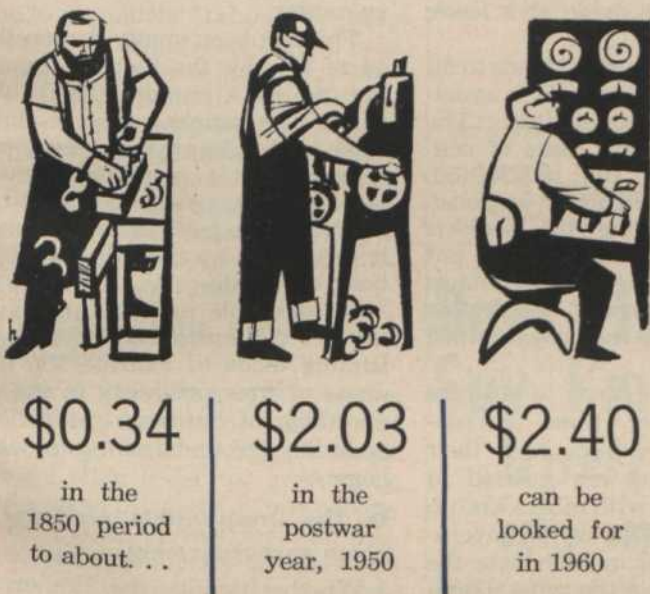
Although there's a limit to our four other major resources—natural resources, agricultural capacity, industrial capacity, and manpower—there is no foreseeable exhaustion of technology.

This is our primary resource, because without it the other resources would be severely limited. For example, the American Indians possessed all the natural riches we have today—and much more—but, because their technology was primitive and static, they failed to exploit this advantage.

Through technology our country has become highly industrialized and highly mechanized; has been able to work less and produce more; has been able to create the world's highest standard of living.

Over the past century we have achieved a fabulous increase in output per man-hour, not by working harder or more skilfully but by constantly devising new and better machinery to augment human effort.

For example, private national income per man-hour (in 1950 prices) has increased from:



American technology has always been dynamic. Throughout our history we have refused to be tied down by custom and tradition and have eagerly sought new horizons. Our forefathers migrated from Europe to the United States to find opportunity. Our history is further characterized by a sparse population seeking to exploit an abundance of fertile land and rich natural resources. Denied an abundance of muscle power, we have utilized mechanical substitutes and supplements to human labor on a scale never equaled anywhere else. And in our relatively free economy, competition—unrelenting competition—has ever stimulated productivity.

Mechanization has been taking place at an accelerating rate, and productivity has been making parallel gains during the past century. Today we can produce more than three times as much per worker in an ordinary 40-hour week as our grandparents did working 70 hours. Thus, the average output per man-hour for the economy as a whole is six times that of 1850.

At the rate we have been increasing our productivity over the past 100 years, by 2050 we should be able to

produce and earn as much in one seven-hour day as we now do in a 40-hour week.

Just about all the back-breaking tasks of industry have been taken over by mechanical power. Mass production has been becoming increasingly automatic. Electronic controls are replacing routine menial tasks. Atomic and solar energy promise new records in productivity.

Through technology we have not only been getting more production out of labor but out of our land as well.

In agriculture, new technological developments—such as in disease and insect control, development of higher-yield hybrids, use of antibiotics to stimulate livestock growth—indicate great strides in the future for producing more and better foods and fibers with less manpower and at lower cost.

Technology is opening new gates for us in uncovering sources of raw materials, so that today, for example, we obtain nitrogen from air, magnesium from water. Technology is enabling us to obtain better utilization of our natural resources. Today we get more than six times as much delivered energy by burning a ton of coal as we did at the turn of the century. Technology has been creating new raw materials and new finished products, not merely imitations of nature, but completely new materials.

The prospects are for rapid technological advances in the future—toward goals undreamed of today. We have made no more than a beginning in exploiting the technological developments of World War II. New discoveries are already on their way, because industry, government and the universities are devoting more effort to research than ever before.

Barring another war, technology will continue to keep the American people supplied with a steady stream of new and improved consumer goods and services, and American industry with new and better materials, machines, and methods.

**In grandfather's
time 210 hours were
needed to produce
as much as today's
workman does in 40**



**Accelerated mechan-
ization has taken
over nearly all
the back-breaking
tasks of industry**



**By 2050 we should
be able to produce
and earn in a seven-
hour day what we
now do in 40 hours**



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HOW much?



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shown
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Signed.....
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Federal Lending Kills Responsibility

(Continued from page 31)

successful farmers or even successful homeowners. The failures of such people may be personal misfortunes but there seems little justification for assessing the taxpayers to cover their losses.

The effect of government lending in these circumstances is not only to lower the standards of lending but to encourage mistaken enterprise with its accompanying dissatisfactions and frustrations.

4. Successful enterprise is hindered.

Private lenders are sometimes restrained from supplying funds to a particular borrower because, though the risks are not too great, equally good investments are more conveniently available, or more profitable investments can be made at a lesser risk.

Where the government lends to fill such a credit gap as this, it is assisting unsuccessful competitors. The risks are the normal risks of conventional lending. But, in addition, the government assumes responsibility for launching the projects which the borrowers could not launch through their own contacts in the private economy, and it does so without curing the defects which stood in the way.

When loans are made to business enterprises under these circumstances, the borrowers and their business associates are assisted in their competition with others who do not have the backing of the government. This raises in each case the question of whether the general public gains more benefit from helping the otherwise unfortunate loan applicant than it loses by hindering his otherwise more fortunate competitor.

It is not possible for the government to assist one competitor without placing handicaps in the path of another.

5. The lender's interest is stifled.

When a private lender advances funds to a private borrower both have a stake in the borrower's enterprise. The lender will see to it that the borrower has a sufficient investment to assure his wholehearted effort for success of the undertaking, and once the lender has invested, he may generally be counted on to support the enterprise in every way that he can. Both stand to gain by its success.

Lenders looking out for their own best interests can be, have been, and should continue to be, a constructive

force in the sound development of homes, communities and businesses in the United States.

Something less than this occurs when the government makes direct loans. The government will not fail and go out of existence because its loans go bad. It will not be seriously inconvenienced, and its officials are less likely to be criticized for having made a bad loan than they are for having rejected a borrower's application. The government's interest in the success of the borrower's enterprise is a remote, impersonal, statistical sort of an interest, almost totally dissociated from its interest as a lender.

A private lender's interest in a borrower's enterprise tends to be equally remote and impersonal when the lender holds the government's guarantee.

This has been amply demonstrated of late by the Senate's inquiry into the FHA scandal. The private lender's investment here is not a stake in an enterprise. It may appear to be one, but it actually is an investment in governmental debt and its financial soundness as an investment is unaffected by the fortunes of the borrower's enterprise.

Irresponsible undertakings occur in these circumstances. Government lending tends to increase the incidence of irresponsibility in the undertaking of business transactions, including the undertaking to own a home.

6. The irresponsible promoter is given encouragement.

Whether we like the idea or are repelled by it, promoters have always been important figures on our national scene. These are enthusiastic people with attractive ideas and persuasive ways. They know how to make friends and influence people.

The function of the promoter has been to originate new ventures and then to find operators and financiers and bring them together. The promotion may be as small a thing as the making of home repairs and it may be as large a thing as the building of a bridge over the Bosphorus. It may be as abstract and as public a promotion as the idea that there should be a government lending program, or it may be as concrete and private a promotion as the idea that there should be a country club.

The economic problem concerning promoters is to keep them responsible, to restrain them. A part of the restraint comes from the prospective operator who, knowing his business,

decides that the promoter's dream makes sense or it doesn't; in part it comes from the prospective financier who, knowing his business, finds the financial risks acceptable or not. The financier and the operator working together explode the promoter's dream or bring it to fruition; or they may try it and fail. Between them also they help to control the promoter's fee, commission or other compensation, this being a matter directly related to the success of their mutual undertaking.

When the government is the financier, much of the restraint on promoters is gone; government lending officials have nothing at stake in the borrowers' ventures. When the government is both the operator and the financier, the lack of restraint is even more severe. And anything can happen when the government is the promoter as well as the operator and the financier.

The establishment of a government lending program is an invitation to promoters. It should be, since the purpose of such a program is to stimulate economic activity. However, it is particularly an invitation to the irresponsible element among the promoters because the government is not a canny lender. When the lender is not canny, promotion meets with less resistance and it is more likely to yield the promoter more lucrative returns.

7. Windfall profits become virtually inevitable.

One of the government's reasons for lending is the enormous size of present-day undertakings. A single project often is far too great to be undertaken privately by one person, or by a small partnership, and this, of course, accounts for the giant size of some of our present-day big-business corporations and cooperatives.

However, the government is reluctant to assign large projects to large business corporations when they can somehow be undertaken in another fashion.

The government has so long been committed to the idea that it must help small business in order to compete successfully against big business that the validity of the idea is seldom questioned any more, even though it may be demonstrated that small business usually is not in competition with big business but rather with other small business. So it sometimes happens in government lending that large projects are assigned to small businessmen. This requires the government to supply much of the owner-capital and to take much of the owner-risk, but the government does not participate in the profits. The inevitable result is

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LIBERTYVILLE 24, ILLINOIS

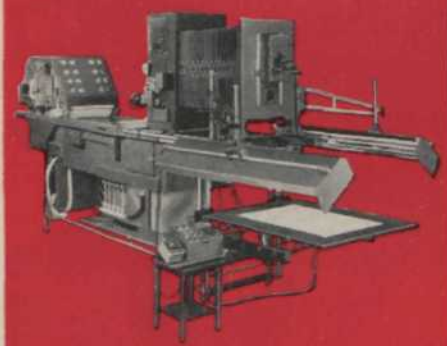
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FEDERAL LENDING

continued

that the government becomes the sponsor of unconscionable profits.

Windfall profits on FHA-sponsored housing projects have been widely discussed. One of the cases concerned a builder's profit of \$6,000,000.

In itself, the idea of a single profit as great as \$6,000,000 is not objectionable. However, it becomes objectionable to contemplate such profits when the risks involved are not commensurate with them. And it becomes infinitely more objectionable when the disparity between profit and risk is of the government's making, no matter whether the business be considered large or small.

It is not necessary for the government to overload a small business with either project or profit. The government can request and bring about the formation of private business entities with many investor-owners to conduct large-scale projects, and it can attract the investors with profit prospects only moderately above the average. It has been traditional in our economy that, unless they are artificially retarded, private enterprises seeking profit will somehow expand to the size of the problems facing them, and it has been traditional for many years that they will respond to reasonable profit prospects.

However, no investor will seek a modest profit when a more generous one is offered and guaranteed.

Human nature and politics being what they are, occasional windfall profits are virtually an inevitable accompaniment of government lending. Subsidies in one form or another are an essential characteristic of government lending and a windfall profit is only a subsidy that has grown up.

8. Standards become degraded by politics.

A good loan is one which is certain to be repaid with interest at maturity. The certainty of repayment is at risk on a poor one. The better the collateral pledged to secure repayment, the better the loan. Possession of the collateral, however, and freedom to use it, are at least as valuable to the borrower as they are to the lender and so it is generally to the borrower's narrow interest to pledge as little as he can get by with. If only the borrowers' inclinations were the governing factor, the nation's loans would grow more and more speculative.

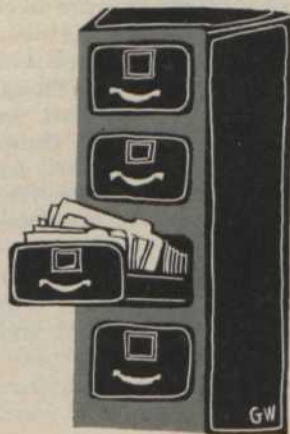
When private lenders are the custodians of the standards of lending,

there is a strong resistance to a lowering of the standards. The lenders' own selfish interests are involved. This is one of the points of strength of our American competitive economic system.

When the government undertakes to concern itself directly with the establishment and maintenance of standards governing lending or other financial relationships among our people, then these standards are strengthened and even improved. This has happened through such regulatory bodies as the Securities and Exchange Commission, the Federal Reserve system, the office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Farm Credit Administration.

But when the government assumes responsibility for the standards by coincidence, as it does when it undertakes to be the lender, it has no direct formal concern with their quality and their deterioration is certain and swift.

Government lending programs and government guarantee programs have a fatal attraction politically. They can be used handily to bestow favor on particular groups and persons. Through them the use of the nation's wealth can be channeled to those people who are adjudged to have the need but not the means, and this can be done in large part without the appearance of taxing those who have the means. For lending purposes, the savings and other wealth of the people are assembled in the national Treasury by issue of the government's obligations in one form or another and, through the lending programs, they are applied where their owners would not otherwise willingly apply them. Indirectly, this is compulsory lending. It is politically acceptable—even desirable—because the compulsion is concealed by the indirection. Who could object to the exchange of his savings for government bonds? And who really feels injury when a bad loan



comes to light, as in recent years they have been doing with disturbing frequency.

Because it is attractive politically, government lending grows. Each successive national administration offers more than the last lest there appear to be retrogression where progress is desired, and plenty of pressure groups are ready, willing and able to point to any appearance of retrogression. On the face of it, the only way for a new national administration to offer more than its predecessor did is to expand the volume of the programs and the fields in which they are available and to ease up on the standards so that more and more people can have the advantages with less and less risk on their own part.

Opinion of the Task Force

It is the opinion of the Task Force which studied the government's lending and related insurance and guarantee activities that the public credit has been and can be usefully employed to improve the nation's credit facilities and to strengthen our world position and that of friendly nations. However, important economic degradation inevitably results when the government's credit is placed at the disposal of private persons and private business concerns to help them gain competitive advantages, and it is the opinion of the Task Force that the long-term debilitating effects of this latter class of lending outweigh the benefits which the activities yield.

These lending programs stifle the private initiative of individual people and, though the government can rather easily engage in activities which stifle initiative, there is no positive way in which it can repair the damage. Initiative is encouraged and character is strengthened mainly through the opportunity and experience of overcoming adversity.

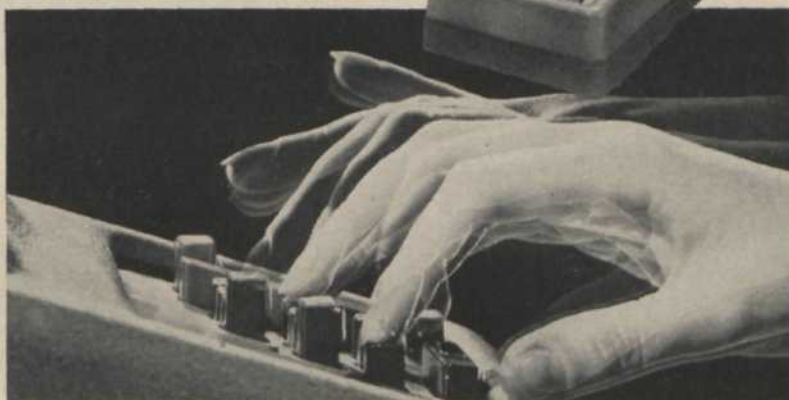
Certain basic social or economic laws seem to govern these tendencies. One is comparable to Gresham's Law which describes the manner in which bad money drives good money out of circulation. Not much needs to be said about the working of this law because loans resemble money so closely. Both are promises to pay, and both, when sound, are backed up by the firm pledge of intrinsic values. However, every borrower will seek out the lender who demands the least backing to support the promise.

Another basic law is the law of diminishing returns. As the volume and frequency of government lending grow with the passage of time,

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more and more people clamor for and are admitted to its benefits, new fields of endeavor are introduced, old restrictions are discarded because they make discrimination among people who claim equality, and the soundness of the loans declines. When these things happen, the public benefit from the application of each dollar lent dwindles until often it is far outweighed by the costs with which the nation burdens itself to get the dollar spent.

Yet another basic law is a law of human nature which impels each of us to put out the least possible effort in satisfying our wants and desires. What others will do for us, we will not do for ourselves, and we decline to stand the costs or shoulder the risks which the government will assume in our place. Very few of us will willingly give up the apparent benefits flowing from our ability to

borrow the public's money even if we see the degradation which similar loans produce when they are made to others.

Major policy recommendations:

The Task Force believes and recommends that whenever the government finds it necessary or desirable to assist one class of our people in its competition with another class, it should do so openly and frankly and by means other than the lending of its funds or its credit.

The Task Force believes and recommends that, whenever the government finds it necessary or desirable to assist all of our people to insure themselves against a common economic risk, it should do so by organizing or sponsoring the organization of an insurance activity which

is genuinely mutual. This spreads the risk of loss in proportion to the exposure and not in the proportion in which the tax burden rests on the people. The difference is considerable.

The Task Force believes and recommends that the lending of public money or the exposure of public credit on a guarantee should take place only in connection with a forthright revision of the nation's credit system, or for other genuine governmental purposes, including the conduct of our national foreign affairs and the purchase of goods and services for the government's use.

The Task Force believes and recommends that the government should encourage the direct investment of private savings in property ownership and in the equity shares of private business enterprises. **END**

UMBRELLA INDUSTRY'S HEADACHE: he-men, autos and raincoats

AMERICA'S umbrella makers have more than dry weather to blame when their business takes a dip. In fact, the basic problem on their minds these days has little to do with the elements. It's the American male and the factors that have made him umbrella-shy.

The depth of his shyness is illustrated by a single statistic. Women buy at least 90 per cent of the approximately 12,500,000 umbrellas manufactured each year. The makers, with annual sales approaching \$35,000,000, believe they could double and perhaps triple this figure if they could sell more umbrellas to men.

But most males continue to avoid the umbrella counters. Numerous factors have been blamed for this: Some say men consider it "sissified" to carry an umbrella to the office; others argue that umbrella carrying, at best, is cumbersome business; still others note the male attraction to raincoats and plastic hat coverings.

The golden age of the umbrella industry in America extended from the middle of the Nineteenth Century to the end of World War II. Today the industry is mostly a scattered group of small companies—165 in all. But in 1900 many large firms were producing this type of rainy day gear and in those days people bought umbrellas not only for the obvious reason but to demonstrate their station in life. Well-to-do families thought nothing of investing \$100 or more in umbrellas with ivory or jeweled handles and gleaming silk fabric. Umbrellas had such class that they were generally sold in jewelry stores.

For many decades the industry prospered. Umbrellas had been a necessity because many people walked great distances and on such jaunts they had to be prepared for inclement weather. The advent of the automobile changed all that.

Some umbrella companies failed under competition from autos but others continued to operate on a reduced scale (it still rained, after all, and not everyone could afford a car).

Since World War II, when steel needs for war pro-

duction left the umbrella makers short of an essential material, the industry has staged a comeback.

The past year has been both good and bad. Good, because Parisian fashion designers have decided that umbrellas are a chic accessory to a woman's dress and just the thing to complete the ensemble of a little girl—bad, because of drought-like conditions over much of the United States. Prolonged dry weather is the undoing of umbrella sales.

It takes a special kind of rain to be of any real benefit to an umbrella salesman. It must come between 1 and 5 p.m. If it rains in the morning people will stay at home or carry some protection with them. It's when they're caught downtown unprepared that the umbrella business booms.

Umbrellas also go over big in some U. S. towns and indifferently in others. Pittsburgh, Portland, Ore., Seattle and Washington report particularly good sales.

Umbrellas can be on the exotic side. The handle is likely to be made from any one of 100 materials—lucite, semi-precious stone, bamboo, caribou, plastic—and the covering cloth may come from a rayon factory or the spindles of Bombay.

Although parasols now represent only one per cent of the annual umbrella output, the manufacturers hope they will regain popularity. The trade regards lawn and beach umbrellas as outside its province, since these articles are manufactured by firms specializing in outdoor furniture—not umbrellas.

Regardless of the weather, male obstinacy and fluctuations in fashions, there is one factor the umbrella people always have on their side: the traditional absent-mindedness which people exhibit toward umbrellas. Capital Transit Company of Washington, D. C., finds some 5,300 umbrellas in its buses and streetcars every year and only about half of these are reclaimed. It may be, the manufacturers say, that as many as 1,000,000 umbrellas are purchased every year as substitutes for lost ones.—HAROLD HELFER

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You're Starving Your Local Chamber

(Continued from page 37)

to handle a successful law practice.

"Working for the Chamber has cost me money," Judge Cornett says, "but it's my way of repaying the debt I owe a town that's been good to me. I have a reputation for being a demon salesman, but that's a lot of hokey. My batting average is only .200, which isn't so hot in any league. I've called on 5,000 prospects and corralled 1,000. A fellow who really could give a high-powered spiel would've brought in a lot more."

We asked the Judge how many hours a week he gives to his one-man recruiting drives.

"I'll have to do a little figuring. I average about 20 calls a week now. I spend more than a half-hour with each prospect, not counting the time I wait around until he can see me. I guess it comes to 15 hours a week, plus a few more for committee work."

Does he have a secret formula that can be passed on to other Chambers?

"My only tip is to make personal contact with a prospect. Letters and phone calls don't work. You've got to sit down with a man and tell him why he can't afford to stay out of an organization that's bringing new business and customers into town. Of course, you've got to have some good selling points. Our record of achievement here in Tulsa is the clincher."

Vigor and vision have made Tulsa—little more than an Indian trading post when oil was struck in 1901—a southwestern metropolis today. A brief summary of two projects will illustrate the role a forceful Chamber can play in the development of a great business center.

In 1928, when commercial aviation barely was getting off the ground, the Tulsa Chamber of Commerce began plumping for a municipal airport. City officials shrugged off the idea, so the Tulsa Chamber launched a \$650,000 bond issue, financed by members who signed notes up to \$50,000. Two years later Tulsa airport was clearing more passengers than any city in the country except New York and Chicago.

With the outbreak of the European war in 1939, the Douglas Aircraft Company began investigating sites for a new assembly plant. Virtually every big city made a pitch for the contract, but Tulsa landed it with an elaborate, 159-page report prepared by the Chamber documenting Tulsa's advantages.

The Chamber also made such a strong case for the city that Ameri-

can Airlines decided to establish its midcontinental maintenance base there. As always, the rolling ball gathered momentum. Today, the \$650,000 airport built in 1929 employs 20,000 people who earn close to \$100,000,000 a year—and spend the bulk of it in Tulsa. How's that for a return on dollars invested in a Chamber of Commerce?

It can be argued that there are few cities where businessmen are flush enough to invest \$650,000 in the future of their town. So let's see what the modest sum of \$22,448 can do for the public welfare. That was the amount earmarked in the Bayonne, N.J., Chamber of Commerce budget for engineering inspection of a \$10,000,000 municipal sewerage project. The Chamber hired consultants to check on costs and its own Sewerage Committee devoted thousands of man-hours to investigations, hearings and studies over a four-year period. As a result, the project was completed below the estimate and Bayonne was saved many times the cost of the consultants' fees.

Sometimes the expenditure of nothing more than imagination can bring a Chamber of Commerce the priceless good will indispensable to a business organization. Several months ago, Houston, Tex., like many other cities, faced a severe shortage of registered nurses. The Houston Chamber made a survey of qualified nurses who had been inactive from five to ten years, induced 31 to enroll in a refresher course and eased a serious community problem.

With Christmas approaching, a bus strike in Moline, Ill., threatened to convulse business and inconvenience the public. The Moline Chamber took the lead in raising a fund to operate the bus system during the emergency with the approval of the striking union. Although the operating deficit was \$100 a day, this was a drop in the bucket compared to the frightful losses merchants would have suffered had transportation been cut off during the year's busiest shopping season.

The Los Angeles Chamber performed an important public service last year when there was a good deal of opposition to a network of expressways through the congested city. The opposing argument was that the expressways would benefit transients more than the residents footing the bill. The Chamber made a study which showed that expressways saved passenger cars 4.9 cents a mile and trucks 9.9 cents a mile in fuel, maintenance and accident

costs. The proposal was approved by a wide margin.

You constantly hear high-powered talk of the benefits to be gained from bringing new industries into a town, but there would be more action and less oratory if businessmen were fully aware of some pertinent facts. One hundred new factory workers in a community gave employment to 74 more people in service, retail, entertainment, public utility and construction trades. One hundred new workers mean \$360,000 more retail sales a year, \$270,000 more bank deposits, 112 more households and 296 more people.

At least three widely separated Chambers of Commerce had the vision to anticipate those findings. It was no coincidence that all three made special provisions in their budgets as far back as 1944 for the postwar expansion they saw beyond the battlefields of Europe and Asia, and the payoff on their foresight should be required reading in every Chamber today.

The Worcester, Mass., Chamber increased its budget by \$60,000 a year to hire consultants in foreign and domestic sales and management techniques. The services of the specialists were made available to all businessmen in town without charge. Effect: In the past decade, 288 new manufacturing companies have settled in Worcester.

In Albert Lea, Minn., 100 businessmen bought \$100 worth of stock each in Jobs, Inc., a corporation set up to attract industrial plants to what was essentially a rural area. Effect: Employment has increased by 29 per cent in a town of 13,500 and the stock is worth \$140 a share.

The San Jose, Cal., Chamber appropriated \$60,000 a year for promoting new industries. Effect: In the next nine years, 123 firms with capital investments of \$42,000,000 located in Santa Clara County and jobs were created for 7,000 people.

There is a stunning sequel to the San Jose story. In 1953, the Ford Motor Company announced it would build a new assembly plant with an over-all capital investment of \$100,000,000 on a site to be selected. The San Jose Chamber had every reason to sit back complacently and let other cities scramble for the biggest plum in the country, but the boys went to work. They bought and improved a tract of land that had caught the eye of Ford scouts, then offered it to the company on an attractive, long-term lease. Effect: San Jose got the plant and the 4,000 workers it employs.

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business—your business. That is a big point some Chambers are failing to get across, and prove, to prospects and indifferent members. A Chamber accomplishes through collective action the jobs an individual cannot do alone, on the local as well as the national level.

Both levels are closer related than most people believe. All national legislation affects everyone, and in a democracy everyone can influence it directly. The trouble is that the man in the street feels he is too remote, too insignificant and not well enough informed to make himself heard. It doesn't have to be that way in a Chamber with an active Congressional Action Committee, which is plentifully supplied with bulletins and summaries of impending legislation by the National Chamber. And it isn't that way at all in Chambers that meet regularly to discuss issues and write letters of individual expression to elected representatives in Washington. Some people have the false notion that such letters are instruments of pressure groups, but it is not only the right but also the obligation of every citizen to make his opinion known.

A businessman knows that every aspect of his operation must be efficient and useful if he is to survive, but he often neglects to apply that principle to his Chamber of Commerce, the public relations department of his business. It must have direction, a man in charge, yet a sizable percentage of Chambers in smaller towns are pinching nickels and trying to run the shop without an executive manager, the key man.

Competent executives cost money, although few good ones are paid what they deserve, considering the responsible positions they hold in the economic pattern of their communities. Even the best-paid man earns his money many times over by skillful direction which increases a Chamber's income by making its program more attractive. That is demonstrated conclusively in the chart below, which shows the average incomes in ten population categories of Chambers run by volunteers, part-time and full-time executives and the average paid to

full-time executives. An executive may be a power house of bright ideas and a ball of fire in arousing enthusiasm for projects but, in the final analysis, the members determine whether a Chamber is to fail or flourish. They must pay dues that can support and consummate an ambitious, constructive program and then take part in that program. There is no other way out.

The principal source of a Chamber's income should come from dues. Handouts received for compiling city directories, plugging Booster Days at the ball park and advertising tourist attractions are merely stopgaps and evasions of responsibility by people who want to reap the harvest but are unwilling to plant it.

The most equitable system of dues rates is the principle of proportionate support, which most successful Chambers have adopted. There are three general criteria for fixing a rising scale of dues—volume of business, number of employes and benefits derived from the program.

Volume of business is, perhaps, the fairest yardstick. Starting with the recommended minimum of a \$40 fee for a business grossing \$50,000 a year, dues should be stepped up gradually to \$50 for a gross of \$75,000 and increased thereafter until banks, public utilities and companies doing millions of dollars' worth of business pay assessments running into five figures.

To forestall the fears of small businessmen that the big boys will dominate the show, it is advisable to impose a limit on the number of votes permitted major companies. Ten votes is a reasonable maximum, although there is nothing wrong with limiting each dues paying account to one vote. The big boys won't object. They got that way by being experts in public relations.

Most Chambers are long overdue for a drastic overhauling of their dues rates, but the record shows that members invariably collect handsome dividends on their investments. A Chamber of Commerce conforms to the same rules that govern all human effort. You get out of it only what you put into it. **END**

Population	Average budget with Volunteer Executive	Average budget with Part-Time Executive	Average budget with Full-Time Executive	Average Executive's Salary
0-5,000	\$1,740	\$2,129	\$ 7,262	\$ 3,259
5-10,000	3,076	3,641	11,377	4,071
10-15,000	4,625	4,278	14,891	4,762
15-25,000	1,415	3,568	22,035	5,833
25-50,000	—	4,870	33,741	7,178
50-75,000	—	—	46,641	7,928
75-100,000	—	—	55,707	9,279
100-200,000	—	—	84,035	10,648
200-500,000	—	—	198,982	15,029
Over 500,000	—	—	341,502	20,041

Government Builds Brains Reserve

(Continued from page 43)

preparations have been so necessary to national survival in case of all-out war.

What is expected of the individual executive?

With considerable leeway to meet their regular duties, we would ask reservists to attend meetings, war games or exercises whenever possible, give advice on area plans and problems during peacetime, and be available for full-time assignment in case of full mobilization.

Will the plan be expanded to other government agencies?

To be successful, the Executive Reserve should not be organized agency by agency on a piecemeal basis. The pilot operation has been specifically prepared for the ODM, but it is hoped that it can be expanded to include all other government agencies. The total executive need for government should be consolidated and an official Executive Reserve established by statute followed by an Executive Order in which the coordinating agency is designated.

How soon will that be started?

No definite time can be given, as we are trying to develop our pilot program far enough to be sure that we have encountered and solved all the major difficulties that might beset such a program. However, we hope that, by the end of the year, we can begin to give attention to extending this program to other agencies which have need for it.

Are any women involved in the reserve plan?

Not yet, but it is anticipated that there will be representative women reservists when the plan is expanded.

Is this the first effort of the government to work out an Executive Reserve during peacetime?

This is the first attempt to organize an Executive Reserve during peacetime, although there have been plans for maintaining rosters.

How long would it be continued?

The program would be continued indefinitely.

Do you plan a practical test of the program?

By participation in war games and exercises, we expect to provide a practical test of the program. **END**

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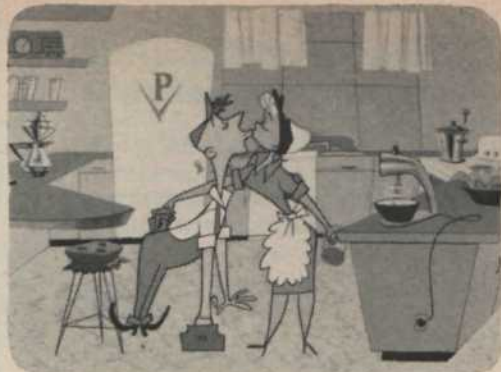
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IT'S EVERYBODY'S



FREEDOMS FOUNDATION at Valley Forge has given the National Chamber its top film award for the motion picture, "It's Everybody's Business."

"It's Everybody's Business" has been named the best film of the year designed to further a better understanding of the American way of life.

This prize-winning film is an animated cartoon in Technicolor. It was made for the Chamber in cooperation with E. I. du Pont de Nemours & Co. (Inc.)—and was produced in Hollywood by John Sutherland Productions, Inc.

"It's Everybody's Business" has been acclaimed not only by Freedoms Foundation, but also by enthusiastic audiences throughout the country for the outstanding job it does in clearing up popular misconceptions and correcting mistruths about the American competitive enterprise system.

In simple terms, and in a highly interesting and entertaining fashion, it explains:

- ▶ How business works in the public interest;
- ▶ How profits insure job security;
- ▶ How increased productivity contributes to a higher standard of living;

CHAMBER OF COMMERCE OF

A NATIONAL FEDERATION WORKING FOR



BUSINESS

- ▶ How competition results in better products and better services at lower cost;
- ▶ How advertising benefits everyone;
- ▶ Why it is vitally important constantly to guard our economic, political and human freedoms upon which our American business system is founded; and
- ▶ The role government should play in a free economy.

IN RECENT MONTHS, the National Chamber has circulated more than 600 prints of this film through its affiliated organizations and Business Members.

"It's Everybody's Business" has been viewed by an estimated 32,000,000 persons. It has been telecast over some 300 stations, and has also been shown before more than 10,000 different groups in local communities, including groups of high school and college students.

* * *

WRITE FOR INFORMATION about rental of the film or purchase of prints—and for information about discussion materials for use in connection with showings.



THE UNITED STATES *Washington 6, D. C.*

GOOD CITIZENSHIP, GOOD GOVERNMENT AND GOOD BUSINESS

Statesman from the New South

(Continued from page 32)

as deeply as he believes in his God, that a solid society must have these elements: equal opportunity, a high educational level, an expanding economy, deep moral and spiritual roots, and a sense of civic responsibility. His is a "benevolent and productive nature," in the words of Mississippi's famous editor-author, Hodding Carter.

This is proven by his own well filled life. He has worked not only in the Chamber of Commerce, locally, in the state and nation, but in the Rotary Club, the Boy Scouts (he holds the second highest award that can be made to an adult, the Silver Antelope, for his years of devotion to scouting), educational groups, as treasurer of the board of trustees of his alma mater and has represented his country at the International Labor Organization conference last year at Geneva.

Mr. Carter, writing in the *Delta Democrat-Times*, reveals another side of this extraordinary man:

"Quietly, but with personal en-

been discovered by local artists. We know there have been many such examples, rarely given any publicity and most frequently unknown even to his friends and family."

Long before the Supreme Court was ruling on the educational opportunities for Negroes, Boyd Campbell was fighting with reasoning, charm and compromise for better Negro schools.

The same sentiment was sounded by Maj. Frederick Sullens, veteran editor of the *Jackson Daily News*: "Boyd Campbell has never shirked a civic duty or failed a public responsibility. Always he has been alert to all opportunities to serve unselfishly the community to which he is so ardently devoted."

Boyd Campbell's life is the story of the new South. His grandfathers Boyd and Campbell were officers in the Civil War. (It seems that only northern orators speaking in the South refer to it delicately as "the war between the states.") He can recall both of them, one who fought at Shiloh, the other at Vicksburg,

town of 5,000. The streets were unpaved and dusty. There was no sewage system.

The boy lived on a small farm belonging to the impoverished gentility, a class, it seemed, with no future. Even then he could see the economic erosion of the South. Adventurous boys ran away to "make a good livin'" in Oklahoma and Texas. Wagons, headed west, creaked past his door. Today, the grandsons and great-grandsons of many who deserted Mississippi are returning to find what their grandparents found in the West—better economic opportunity.

The Campbell farm was in the sloping hill country about 80 miles northeast of Jackson. Old timers there remember his father as a gentle philosopher; his mother as an indomitable spirit who wanted good schools and community activities. Their son, the eldest of five children, combines the qualities of both.

Today, many relics of his childhood still stand by the side of quiet, dirt roads. The barn he built in his teens is sagging slowly to one side. Not far from the old post road, the Natchez Trace, is the one-room school where he learned his ABC's. It is a sturdy, unpainted structure made of cypress logs pegged together and hammered through with square-headed nails.

Another link with the past, the 83-year-old Bethel Methodist Church, still plays an important role in Boyd Campbell's life. His parents and grandparents rest in its small cemetery where cedars and oaks protect the simple, hand cut stones from the sun's glare.

This little church, whose door is never locked, is a haven for Boyd Campbell. He often returns alone to seek solace there. He has told friends, "When the way grows dark, I always come back to this churchyard. It is a place of peace where perspective is gained. Somehow, the tangled weave straightens out and becomes simple again."

Even in this simple, rural community progress is evident. A short time ago, Mr. Campbell and a visitor from the North stopped at a filling station on the outskirts of Kosciusko. He cheerfully asked the attendant, "How's business?"

"It's sure good," the other replied. "They've just hired a lot more people at the bus company. They've got an order there to make several hundred buses to take the Ay-rabs to their holy place in Mecca."

Mr. Campbell turned to his companion with a delighted smile.

"There now is real grass roots economic education. This is some-



BERN KEATING—BLACK STAR

The Office Supply Company is one branch of the business which Mr. Campbell started with a borrowed \$10,000 in 1919

thusiasm, he has worked to help the people of our state. He has been particularly interested in cultural improvements, and in helping the under-privileged. Several years ago he helped to sponsor a concert tour in Mississippi for Laurel's then unknown Negro soprano, Leontyne Price. More recently, he completely supplied with art materials a Negro youth in Greenville whose unusual talent in primitive type painting had

as courtly white haired, bearded gentlemen who never discussed the war.

When the grandfathers were mustered out, Jackson had been burned to the ground. It was wryly called Chimneyville. The devastated land, looted of its treasures, run by alien conquerors, fell into a sleep where the glory of the past lived again. In 1897 when Boyd Campbell was eight years old Jackson was a drab

thing folks can understand a whole lot better than an academic discussion of reciprocal trade. The immense possibilities of world trade are a known fact to the people of Attala County."

Kosciusko also figures in an enlightening and educational experience of Boyd Campbell. A year ago at the ILO he met a Polish woman delegate. She woodenly parroted Communist propaganda and maintained a cold, even hostile, attitude toward him. This puzzled and ruffled him because one of his traits is an amazing capacity to win friends in an enemy camp. One day, at a committee meeting, he told her, "I want you to know that my home town in America was named for a great Polish patriot, Kosciusko, who helped the United States gain its freedom."

Her eyes lost their coldness as she replied, "I knew you were sympathetic when I first saw you." As she turned away, he saw her eyes fill with tears.

When the conference ended, she shyly presented him with all she had to offer, a handsomely bound Polish propaganda book.

As a youth, Boyd Campbell attended Millsaps College at Jackson. It is a small Methodist school with a reputation for scholarship. He worked at a saw mill and in wheat fields to put himself through college. His father wanted him to be a lawyer but that required money which he did not have. There were brothers and sisters who needed his help in going to college.

His field of economic opportunity was limited, so he was led to teaching. He rose to school superintendent in the north Mississippi town of Grenada. There he met Miss Sara Louise Horton, who became his wife. (The light of their life is a red-haired daughter, Mrs. Sara Jane Harris, a Junior Leaguer, who married her classmate, Richard Harris. In New York where Richard was working for an investment house while completing advanced studies in finance at NYU at night, Sara Jane found an outlet for her social conscience as a volunteer worker with the sick and young in tenement slums.)

In the spring of 1919, Boyd Campbell came to a hard decision. He was disturbed by the slow progress of education in the state, and frustrated by his inability to shove it ahead. Teachers, he felt, were not accorded the status in the community which the importance of the profession warranted.

They were by-passed in civic affairs and community development.

He feels that the same is largely true today. This passive role did not fit Boyd Campbell. He decided to leave the schools and go into some business close to education. He had been surprised, as a school superintendent, to find that all his supplies had to be bought outside the state. With \$250 borrowed on his insurance policy and \$9,750 from friends, he launched the Mississippi School Supply Company in one small room. Today, it is the sturdy parent of office equipment, printing, school supply firms and retail stores in five Mississippi communities. His com-

panies include the School Book Supply Company, the Mississippi Corporation, a financing firm, and the Magnolia State Foundation, into which charitable contributions of the Campbell organization are channeled.

Boyd Campbell—"just a pencil peddler"—is actually much more. He is a member of the Executive Committee of the Board of Directors of the First National Bank of Jackson, active in its affairs, and proud of its new office building, Mississippi's largest.

Membership on the Board of Di-



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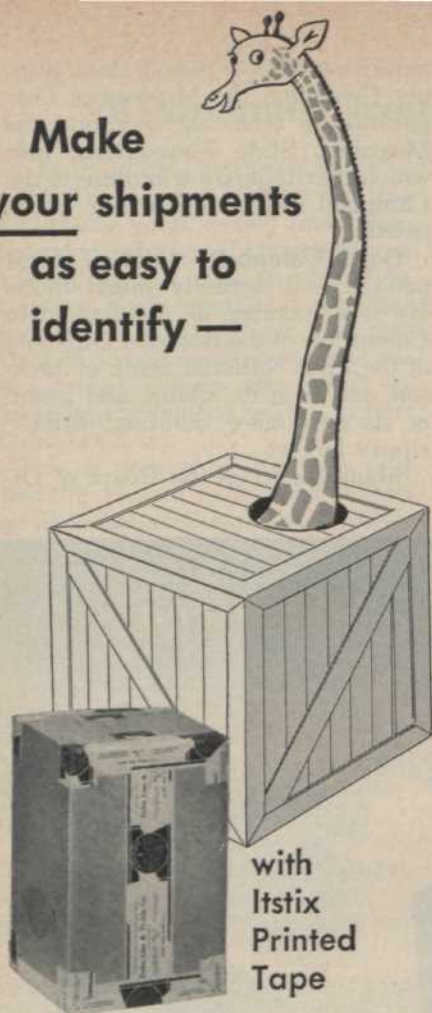
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STATESMAN

continued

rectors of the Mississippi Power & Light Company, the state's largest taxpayer, has been rewarding to him because of his association with a group of kindred spirits who work in season and out for industrial development and community building in the 44 counties served by the big utility.

He is a long-time member of the board of the Gulf, Mobile and Ohio railroad, a 3,000-mile carrier serving the Middle West and the Gulf Shore, and promoted the setting up of the GM&O-Tigrett Foundation, through which charitable and educational gifts of the railroad are channeled.

A northern business analysis firm studied organization of the Mississippi School Supply Company and its affiliates and praised it as a model of efficiency and progress. The stores and shops, even the warehouse, are clean, neat, and attractive. They have a cheerful aura. Employees, from office boy to manager, greet the customer with smiles. An old lady from the country buying a ten-cent birthday card gets as much polite attention as a purchasing agent shopping for machines.

This is no accident. Boyd Campbell's business associates, from the least to the most important, are selected with great care; they are carefully trained and shepherded over the rough spots.

When a promising young salesman hits the bottom the first time and is ready to go back to farming, Mr. Campbell works carefully behind the scenes to perk him up. He may even plant a sale. He says philosophically, "That big grin of self-confidence is worth money to the business."

This is not merely good business. Boyd Campbell has a genuine affection for young people, and tries to pick and mold them to be leaders of the new South. He told a friend, "The South has the greatest promise of any place in the world. But it is going to need stout helpers, leaders with brains, tolerance and understanding. The best work I can do is to provide a few of them."

Every one of his aides knows he is expected to take an active role in civic, religious and business organizations, and to accept community responsibility. As a result, his staff is abundant with officers of local Chambers of Commerce, service clubs, Boy Scouts, school board, and churches.

A typical Campbell protege is a young man with a million dollar per-

sonality. Tall, handsome, likable, he took honors in college and has a smart and beautiful wife. Soon after the boy came to work, Mr. Campbell found occasion for a serious talk with them.

He said kindly, "You've had it pretty easy, son, and that makes you careless sometimes. You are going to find that selling pencils will be a lot harder at times than making touchdowns or being class president. I think it would be better in the long haul if you would knuckle down, try hard to do everything the best you can, and not rely on the sales that drift to you because you're a nice fellow or have a beautiful wife."

The girl said anxiously, "I'm so glad you said that. I feel exactly the same way."

He took Mr. Campbell's advice and did so well he has just been promoted to store manager. His wife whispered to Mr. Campbell the other day that they were expecting a child. His face lit up, as he said softly, "Now, that's the best word I've heard in a long time."

He meant it, too. This assured the community of a new generation of good leadership and moral responsibility.

How the Campbell employees feel about the boss was summed up by Jim Wilson, the Negro warehouse man who joined the company in 1920 fresh from the country. Jim says, "Mr. Campbell has been like a father to me. He stood by me in my time of trial. No better man ever lived. I'd like to stay with him until I die."

Weekly staff meetings, times for serious decision, are characterized by good-natured bantering. Jim Campbell, Boyd Campbell's younger brother and company president, takes the lead. Gus Ford, treasurer, is the most frequent target as is often the case with figgering men. Mr. Campbell affectionately refers to Randolph Peets, college mate and a few weeks his senior, as the company's "patriarch." The others came straight from Mississippi colleges to the Company and grew up with it. This partly explains the spirit of camaraderie and intense loyalty that characterizes the Campbell team.

Boyd Campbell's main interest is education. He always says, however, "I'm not interested in education per se. My interest is in business—more and better business—and I know where to find it. It is always where there is the most education."

Education, to him, is the long-time answer to all the South's problems, from the racial dilemma to economics. He says, "In today's kind of world, unless we educate all the peo-

ple, and educate them well, we have little chance to survive."

Since 1950 he has been chairman of the Education Committee of the Chamber of Commerce of the United States and has spoken repeatedly on the bond between business and education. He opposes federal aid to education, although many of his best customers are ardent partisans for it. His solution is to reduce the federal tax load so states and communities have more taxable income and to repeal local laws that restrict taxation for education.

On the difficult and delicate issue of segregation in the schools, he spoke words that commanded the respect of the nation. He said:

"I believe that all thinking southern leaders realize that the Supreme Court's decision on segregation will not be reversed. Once this fact is accepted, the South can move more rapidly to the solution of vast problems which flow out of that constitutional decision. . . In solving the multitude of problems now upon the South, the major goal is an improved public school system for all children. Some have said that the Court's decision is the cocklebur un-

"No one has the final answer to integration, not even the Supreme Court, and all of us must grope for even the most tentative answers. These tentative answers will evolve from the wisdom and good will of thousands of southern leaders of both races working primarily at the community level.

"This prospect of years of complexities makes it mandatory that we freely discuss the problems and be willing to work toward the only goal upon which all should agree—maximum educational opportunities for all children."

Mr. Campbell has pioneered in bringing educators and businessmen together at Business-Education Days, which he describes like this, "A day when business moves out of the counting house and education leaves the ivory tower and the two meet in an area of mutual interest and agreement; a day when students stay at home and teachers go to school to learn how good a job they are doing in training manpower for industry. They go to learn more about the economic system which picks up the bill for education. In due course, this day will be followed by Education-Business Day when businessmen will go back to school to understand educational problems and to help reinforce the role of education in preserving a free society."

Mr. Campbell explained the feeling that moves the new team of southern leaders of business and industry thus:

"Community development does not come about by chance. It is the result of the price that the most enlightened spirits pay in long hours of thought, study, research and work for what is best. What is best may not be a factory or a new payroll. It may be better health, better housing and better education. Whatever it is, someone must take the lead. No one can lead better or further than the businessman. And when he does, he is not only being a good businessman and a good steward; he is exalting the great American tradition."

It is this kind of philosophy that Boyd Campbell brings to the presidency of the Chamber of Commerce of the United States. When the Chamber directors notified him of his election, he said this reminded him of the words of a devout Negro who, when offered a new job, said prayerfully, "Lord, don't give me no job that is too big for You and me." Mr. Campbell added, "This job is too big for me, but not too big for all of us. The failures will be mine, the successes will be yours—and His."

That is the kind of a man Boyd Campbell is.

END



der our saddles to keep us galloping toward the goal of better schools.

"As the South moves toward this goal, it will find that construction of more school facilities, improved teacher salaries, and reorganization and consolidation of outmoded school systems will become as important a force for social and economic betterment as the continuing southern industrial and agricultural revolution.

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• **NATION'S BUSINESS**
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Government's Role if Auto Strikes Come

(Continued from page 35)

two weeks worked. Thus, after 27 months, he would be guaranteed 52 weeks' pay a year.

How much would this guarantee cost the employer?

No figures have yet been mentioned. How much the employer would have to pay on a pay-as-you-go basis, what percentage of payroll he would contribute into the fund, or how big the fund should be—the union has left those important details to be worked out in bargaining.

What if the laid-off workers found another job at lower wages?

His employer would be expected to make up the difference.

Wouldn't this mean that a company paying high wages would possibly be subsidizing the wages of a competing company?

I have heard that opinion expressed. Of course, if a laid-off employee is going to get as much for not working as he does for working, he will have little incentive to look for work. That is one of the basic objections that many people raise.

Under the plan, then, wouldn't companies have to keep track of where laid-off employees were working, and for how much?

I can see where the details of administering the plan would be pretty horrendous. Where you have multi-plant operations with unemployment compensation varying from state to state, the company would have some wonderful bookkeeping problems.

Is the competitive situation in automobiles a factor in this picture?

I read a statement the other day by Mr. Reuther that it certainly is a factor. But there are other factors.

Do you think Mr. Reuther may, by strike threat, try to get a concession from one company that wants to avoid a shut-down that would help a competitor?

I can't read Mr. Reuther's mind but I think that would be a reasonable slant. It would not be the first time this has been tried.

What will the Conciliation Service be doing while the talks continue?

We will stand by and learn as much as we can. Even if the Service does not figure in the automobile negotiations, the information will be helpful in other contract negotiations in which we may be involved.

What will be the bargaining atmosphere this year?

It is reasonable to assume that the unions are going to make a stronger

pitch than last year. First quarter earnings were good and the predictions for the rest of 1955 are optimistic. Last year there was more uncertainty and many contracts were closed with small increases or none. As a result, many union officials may approach the bargaining table with this attitude: "You owe me so much for last year that I didn't get, so much for this year in view of the profits you are making, and so much more because of what we think you will make in the year ahead."

What do you think management's attitude will be?

With business good, a businessman is rather hesitant to do anything which might provoke a stoppage of production or sales. So it is probable that management will be more generous than last year. It doesn't follow, however, that employers will satisfy union demands and avoid a strike at all cost. Among other things management must consider costs in relation to competition and the nature of the demands.

Are some of these demands smoke screens for bigger wage increases?

Certainly that is a conventional technique. Many people believe that the automobile workers are more interested this year in establishing a pattern—getting a foot in the door and at the same time getting a substantial wage increase—than in trying to develop a complete guaranteed annual employment plan.

Will the coming merger of the AFL and CIO minimize labor trouble?

It might cut down some of the jurisdictional difficulties, and the no-raiding pact—if observed—should make for a more stable labor scene. But I am personally convinced that it is going to take quite a long time before the two labor organizations merge their activities and thinking. It won't make any appreciable difference in our workload.

How will the major negotiations affect other businesses, particularly smaller ones?

They can't help but have a very significant effect on them. The whole economy of this country is tied very closely to the automobile industry. Many small manufacturers have a close affinity to that industry, and a stoppage of automobile production would have nationwide repercussions. Also, judging from the past, wage settlements in the large automobile, steel, electrical, and rubber companies pretty much set the pattern at least for demands which other employers have to listen to. **END**

Local Tax Jumps City Limits

(Continued from page 49)

Suburban residents also point out that city dwellers use roads and recreation facilities located outside the city limits without contributing to their upkeep.

Burden of the local income tax does not appear to be as heavy on business as on individuals. The tax is levied on net receipts, which means state and federal taxes and other necessary business expenses usually may be deducted from taxable income. Corporations are permitted to separate local income from money earned elsewhere.

Nevertheless, these advantages can be offset by the headache of collecting the tax.

Administration of a local income tax is comparatively easy for the city imposing it. Employers who withhold the tax serve as collection agents. The city adds a few employees and business machines to its tax department, then waits for the money to roll in.

The employer, however, must set up an accounting system for withholding tax deductions from employees' salaries, adding to the existing burden of withholding federal—and occasionally state—income taxes. Returns to the city must be made monthly, quarterly or annually. The employer must also figure his own tax, often setting up a complex formula for separating earnings of branch offices or factories outside the taxing city.

There's a triple tax attack on individual and business income by federal, state and local governments in four Kentucky cities and in St. Louis. There are 32 other states now taxing individual or business incomes or both.

Withholding local income taxes can become complicated. In Pennsylvania the tax is imposed in some areas by a number of cities surrounding an industrial center. If an employee lives in one taxing city and works in another, his tax goes only to the city of his residence. The employer must check the residence of each employee, withhold the tax in a separate account and remit the money to the employee's home town.

A relief measure adopted last year in St. Louis is being watched with interest in other places. St. Louis employers may keep three per cent of the total tax withheld from employees as their payment from the city for collecting the tax.

Individual taxpayers get little of the relief granted business firms, a discrimination upheld last year by

the United States Supreme Court. For instance, cities with income taxes usually permit deduction of federal and state taxes for business firms but not for individual taxpayers. A few Ohio cities are the only ones now granting income exemptions for individuals, although the unused New York City payroll tax has exemption provisions. Tax rates are a flat percentage of earned income or net profits in all cities except Washington, which has progressive rates.

These features of local income taxes have drawn fire from labor unions. The taxes are "viciously regressive," the CIO has declared.

Many municipal officials say tax collection costs would be prohibitively high if progressive rates, exemptions and deductions were permitted. Upper-income taxpayers and corporations look on progressive rates for local income taxes with the same cold eye they have for similar rates on state and federal income levies.

Tax evasion is a big problem in most cities with local income taxes. There's no trouble with taxpayers whose employers withhold the tax. But the persons whose taxes are not withheld are required to file returns at city hall. Many fail to file.

Some of these delinquent taxpayers are employees of the federal government, which will not withhold the local tax. Others are self-employed. And some work in suburban businesses not subject to withholding requirements.

Tax officials in some smaller cities wink at this evasion, figuring that the extra tax return is not worth the trouble and expense of enforcement.

In larger cities, officials often rely only on publicity, taxpayers' consciences, some spot checks and voluntary withholding by a few out-of-town employers to reduce evasion.

Some cities make stronger efforts. Louisville officials persuaded federal authorities to provide annual income statements for about 12,000 local federal workers. Columbus agents checked license plates in suburban factory parking lots to catch evaders. In St. Louis, a crackdown on evaders, plus plugging loopholes, may bring the city an extra \$1,000,000 a year from the tax.

Some critics of the local income tax argue that it will drive both business and population out of any city imposing it. They say some business firms will move out of town to avoid paying or withholding the tax, while many workers may seek jobs in other communities.

So far this has not materialized,



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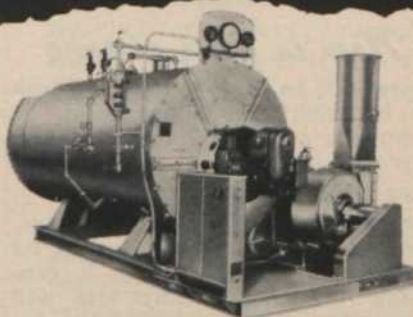
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but imposition of an income tax in a municipality might be a deterring factor to any out-of-town industry thinking of building a new factory in that city.

The local income tax has advocates in almost every large city. Because cities are subdivisions of states, however, authority to impose the tax must come from the state legislature. In one state (Wisconsin), the legislators barred the tax when they found three cities planning to take advantage of a constitutional loophole permitting its imposition. Virginia prohibited local payroll taxes in 1952.

Most legislatures are likely to be in no hurry to approve local income taxes. There is the obstacle of inertia in some state capitols where the rural representatives who dominate the legislatures have little interest in municipal fiscal problems. Some legislators fear that authorizing the tax in one city may lead to its use in their own community. Others who represent suburban communities often actively oppose the tax.

Nevertheless, if demands of municipal officials for new revenue sources prevail, the local income tax could spread throughout the country.

Probably the only sure way in most cities to throw a permanent roadblock in front of this tax—or any other type of new or increased municipal levy—is to halt the rising cost of local government. This is not easy. Booming populations, worn-out city plants and new demands for services build up almost irresistible pressures on city budgets.

Yet local spending can be reduced. Some expensive municipal services, ranging from bathhouses to charity hospitals, may no longer be necessary. Inefficient or dishonest pur-

chasing wastes money. Needless red tape eats up employees' time and efficiency. Antiquated refuse collection methods are costly. Retaining outmoded, inefficient equipment is false economy. Poorly located firehouses increase fire losses.

Citizens organizations which fight these budget-boosting items may save enough wasted tax dollars to reverse the upward trend of municipal spending in their home towns.

To do this, they can encourage basic reforms like centralized purchasing or civil service. It may be simply a matter of going to the polls and electing competent officials. A major change in the form of local government is sometimes necessary to rout expensive evils at city hall.

Another method of slicing fat off local budgets is to eliminate duplicating or overlapping services among various branches of government in a metropolitan area.

For example, separate tax collection and assessment offices of city and county governments can be combined, bringing reduction in over-all cost. Joint purchasing by city and county can produce savings through larger orders. Separate city, county and town welfare agencies can be merged into a single setup.

Scattered parks, planning, hospital and public health services can operate more efficiently—and often less expensively—under unified direction by a single metropolitan agency. Payments on new incinerators, water plants, schools, highways or sewage disposal plants can be shared by city and suburbs. Each unit of government saves money from the cost of going it alone.

Only in such fundamental ways can the cost of local government be held in check.

END

Many officials view local income tax as a solution for shortages of municipal funds because:

1. Yield is high.
2. Collection costs are low.
3. Suburban resident who works in city pays, thus spreading cost of city government.
4. It's popular with city voters.

Others object because:

1. Suburban resident pays without right to vote in the city.
2. Headaches of collection fall on business, necessitating more elaborate accounting systems.
3. Tax evasion is a big problem.
4. Tax is often on earned income, doesn't touch unearned income.



notebook

Going places with Mr. Campbell

WHEN writer Tris Coffin arrived in Jackson, Miss., to gather material for his profile on A. Boyd Campbell, (page 32) president-elect of the Chamber of Commerce of the U. S. Mr. Campbell told him, "To know me, you have to know Mississippi."

When Mr. Coffin returned to Washington he knew Mr. Campbell and Mississippi but was not sure whether he had been on a writing assignment or a speaking tour. In the course of a state-wide trip by automobile and private airplane, he had addressed the Mississippi House of Representatives, an evening gathering of political and business leaders, a luncheon at Vicksburg, and the personnel of the Delta plantations at Cleveland, Miss.

He had talked to Governor and Mrs. Hugh White, other political and business leaders, viewed the state's industrial, agricultural and business progress—and been much impressed.

Fortunately for Mississippi's listening public, Mr. Coffin, between stints as a newspaper reporter, Washington columnist, free lance writer and author of books, is a radio commentator and a public speaker.

But in all his varied experience, this is the first time his oratorical talents have been so necessary to the practice of journalism.

Money in search of people

IT'S hard to believe that money can go unclaimed but Tracers Company of America reports that it is currently trying to locate the 50,000 owners of more than \$30,000,000 in accumulated dividend checks, cash surrender values and other apparently forgotten stock interests.

The task of finding the lost stockholders was assigned to Tracers Company by hundreds of corporations in the United States and Canada. A number of metropolitan newspapers are assisting the search by publishing the names and last-known addresses of the stockholders.

Judging from Tracers' past experience in similar hunts, at least

one third of the missing stockholders' group is deceased. In such cases every effort will be made to find the next of kin, who will lawfully inherit any money involved.

Breakfast on the boss

A MARTINSBURG, W. Va., businessman has worked out a novel, morale-building solution to the problem of on-the-job eating by employees.

It all began when James S. Dailey, president of Dailey Motors, Inc., noticed that a number of his employees would report for work without breakfast and then eat cookies, candy bars and the like.

Obviously this habit cost valuable work time and reduced the efficiency of personnel. Mr. Dailey decided to eliminate the problem by having a hearty breakfast waiting for his workers.

To carry out the idea, the auto dealer converted an extra office room into a dining area and part of his garage into a modern kitchen, complete with electric range, electric dishwasher, deep freeze and a refrigerator. His sister, Mrs. George Dunlop, does the cooking.

Mr. Dailey says the cost to him of each meal served is 50 cents, a reasonable investment when you consider that he has drastically reduced tardiness and has made the traditional midmorning snack unnecessary. More important, the morning get-togethers have helped him and his salesmen, clerks and mechanics get better acquainted.

The list of people who want to work for Dailey Motors, Inc., gets longer every day. Many of the requests for employment have been prompted by wives who look upon the free breakfast system not only as an assist to their budget problems but a convenient way for them to get a little more sleep in the morning.

Stunts promote safety

ESSAY contests, "horse races" and other events are encouraging industrial safety for American firms.

The stunts supplement the estab-



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lished use of films, lectures and safety training sessions, adding a dash of imagination which taps such important motivational forces as competition, curiosity and humor.

A special study by Employers Mutuals of Wausau, Wis., shows that, although these activities are short-lived, they generate intense employee interest and are effective in curbing accidents and injuries.

Swift and Company, for example, held a "Safety Derby" in which employees at one plant were divided into six groups. Each backed a "horse" ridden by a "jockey" named after its foreman or supervisor. Track and models were made of plywood. For each no-accident day, the group's horse moved forward one space. The winner was the one which moved the farthest in the race.

The Green Giant Company of Le Sueur, Minn., sponsored a safety essay contest for children of its employees. Almost 100 entries were submitted in completion of the lead sentence—"I want my daddy to work safely because . . ."

Another firm has a weekly safety message which is widely repeated and displayed. Each morning there is a drawing for some employee's home telephone number. His wife is called and asked to repeat the current slogan. If he has brought it home as intended (and she remembers it) they win a cash prize.

Businessmen are saying . . .

J. PETER GRACE, president, W. R. Grace & Company: "Our company is evidence of the fact that the Latin American market is growing continuously. One example is our paint business. Just before the war, we had only one paint plant in operation in South America. Since the war we have found the market for quality paint so greatly expanded that we are in the paint business in an important way in Chile, Peru, Colombia and Argentina."

FRANCIS K. McCUNE, vice president, General Electric Company: "If industry is expected to plan its own future course in atomic work, it clearly requires a broader access to information than it needed to perform specific government contracts. It is almost axiomatic that the success of future planning is directly proportional to the amount of information available. Without adequate information industry cannot be expected to show real initiative. Without adequate information the purpose of the 1954 (Atomic Energy) Act may be frustrated: Industry will not be able to exercise any more initiative than it did under the contract system."



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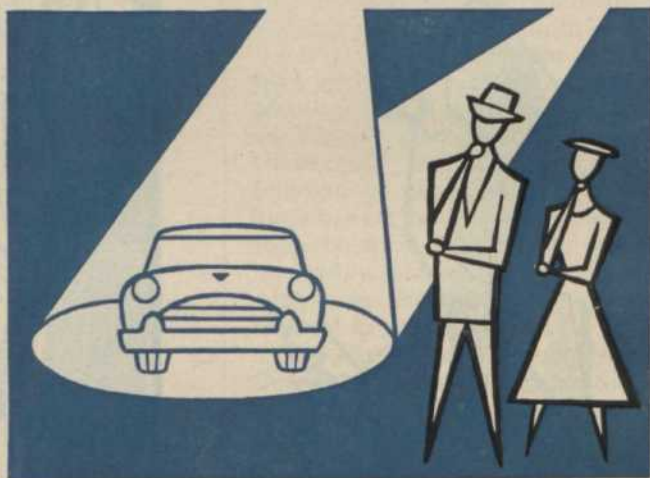
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WAGE GUARANTEES WOULDN'T GUARANTEE MARKETS



AN ARGUMENT advanced in favor of the guaranteed annual wage is this:

"Under this plan payrolls would be maintained even when workers were laid off. Payrolls make markets and markets in turn make jobs. Thus, if payrolls are guaranteed, we will have sustained prosperity."

This argument is attractive and apparently plausible. It is bringing some businessmen to the opinion that perhaps the guaranteed wage would be a good thing to have. Those who arrive at this point of view must necessarily assume that the benefits of assured payrolls would overbalance all the social and economic disadvantages of such a system. So it seems pertinent to ignore these other disadvantages and to take a sharp look at this payrolls-make-markets theory.

The first weakness such a study reveals is that a key word has been misplaced. That word is "jobs." The statement ought to read, "jobs make payrolls which make markets."

The guaranteed annual wage will not make jobs. It may, in fact, eliminate them in at least two ways: by making management less eager to increase job opportunities by venturing into untried fields; and by making workers who are well paid for idleness less eager to find new employment.

The first of these results was visible in Detroit soon after the guaranteed annual wage became a threat. The average work week there rose to the highest on record as companies paid overtime rather than take on extra workers.

A further weakness is that those who are not working—no matter how well paid—are not producing and, in the final analysis, it is production that makes consumption. No customer, however ardent, can buy what has not been made.

Even if it is made, he will not buy it until he is ready, a point which the United Automobile Workers overlooked when it passed a resolution affirming in

part, "The guaranteed annual wage will compel management to take steps in its plants to end the instability of employment for which it is directly responsible."

This seems to assume that management has the power to sell its goods when and where it pleases. So far, neither through advertising, public relations, production schedules, nor any other gambit has management been able to acquire this power. The employed worker, no matter how much money he has in his pocket, buys an automobile, a refrigerator, a suit of clothes or any other commodity when it pleases him rather than when it is economically advantageous. And no argument so far advanced suggests that the unemployed worker will conduct himself differently.

Moreover, he buys products of his own choice, which means that, even during the greatest prosperity, some companies' employment falls because customers have turned to other products, or moved away, or decided to save their money, or become pessimistic.

Such waves of pessimism—or optimism, for that matter—generally have an economic base, which is one reason the payrolls-make-markets theory sounds so reasonable.

But they are more than economic phenomena. They involve appraisal of the international situation, the rising generation, the future of mankind. One of the facts of life is that people are more hopeful at one time than another, and it is hard to see how the guarantee of pay would overcome it.

It has not done so in the past.

Economists have noted that business depressions come when consumer income is at an all-time peak. Recovery from depression and from mass unemployment, on the other hand, takes place when consumer income hits new lows. The collapses in 1914, 1920, 1929 and 1937 when payrolls hit new peaks demonstrates this. They demonstrate the fallacy of the payrolls-make-prosperity argument.



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